



House of Commons

Committee of Public Accounts

BBC Severance Payments

Written evidence

Only those submissions written specifically for the Committee for the inquiry into BBC Severance Payments and accepted as written evidence are included.

List of written evidence

- Mark Thompson
- Lucy Adams, BBC
- Andrew Scadding, BBC
- Marcus Agius, Non-Executive Director, BBC Executive Board
- BBC Trust

Written evidence from Mark Thompson

I enclose a submission of evidence for the PAC to consider before your hearing next Monday on senior manager severance at the BBC. The submission should be read together with a set of documents which I append as a separate attachment.

I apologise for the fact that I am sending you this submission so late in the day, but the BBC only found and sent me the final documents last Friday (August 30). I have included all the most relevant documents and - although of course I no longer have direct access to BBC papers and emails - have not seen or heard of any documents which tell a different story from the one I set out in my submission.

I sent a draft of this submission to Marcius Agius, the former Chair of the Executive Board Remuneration Committee (who is of course also giving evidence next Monday) so that he could check it for factual accuracy, and he has now done that. I have not sent it to the other witnesses or to the BBC Trust or BBC.

I hope you and the Committee find this submission useful.

4 September 2013

Supplementary written evidence from Mark Thompson

Summary

- It is my position that, contrary to the statements of the BBC Trust to the NAO and the PAC, the redundancy settlements with Mark Byford and Sharon Baylay were made with the full prior knowledge, and extensive involvement of the BBC Trust. This submission includes new evidence which corroborates this fact.
- The redundancies were central to an accelerated plan to cut the pay and numbers of senior managers at the BBC, a plan which itself had been developed with, and approved by the BBC Trust. My detailed discussions with the Trust in the autumn of 2010 led me to conclude that they were of the same view about the severance payments as I and the BBC Executive – that, though substantial, they were justified operationally and financially because of the wider savings they would unlock – and that it was for this reason the Trust did not block or raise concerns about them.
- The BBC Trust has claimed that it was unaware of key elements of the proposed Byford and Baylay settlements, and specifically that they involved payments in lieu of notice and a delay in the serving of notice. Contrary to these assertions, multiple documents establish that all significant information about these proposed settlements – including the payment in lieu of notice and the likely dates on which notice would be served – was disclosed to the BBC Trust by BBC management before these settlements were approved.
- The BBC has now found a second, very detailed briefing (the ‘Project Silver’ note) given by me to the BBC Trust three weeks before the Byford and Baylay settlements were approved. This note set out a range of options, with accompanying figures, for reaching a settlement with Mark Byford. A few days after the ‘Project Silver’ note was sent, I briefed the full Trust about the restructuring plan and the two redundancies.
- Newly discovered email traffic establishes that BBC Trust officials were involved in the drafting of the 7 Oct Note from me to the Chairman, and that they gave guidance about how much detail the document should disclose to other Trustees about the two severance settlements. The 7 Oct Note, which was sent to all Trustees, set out how much it was proposed to pay Mark Byford and Sharon Baylay, as well as the payback period and the wider savings that would be enabled by the restructuring.
- Newly discovered emails and a new timetable of phone calls and meetings strongly support the contention that the BBC Trust wanted a chance to consider and discuss the proposed settlements before the Executive Board Remuneration Committee met to give them formal approval.

- Contrary to her testimony to the PAC in which she said that she did not believe she had seen the 7 Oct Note, it is clear from the documentary evidence that Lucy Adams was in fact one of its main authors.
- The present Chair of the BBC Trust, Lord Patten, was himself fully briefed, in writing as well as orally, about the two settlements shortly after his arrival in the early summer of 2011.
- Despite their knowledge of these settlements and the broader approach to senior management severance (and indeed despite the fact that the Trust is responsible for setting the strategy for Executive remuneration), I am aware of no evidence that Lord Patten or the BBC Trust raised any concerns about the BBC's policies and practices related to severance payments with me or other BBC managers until they themselves came under scrutiny in the autumn of 2012 for the severance that was paid to George Entwistle.
- The picture painted for the PAC by the BBC Trust witnesses on 10 July 2013 contained important inaccuracies and was fundamentally misleading about the extent of Trust knowledge and involvement. The insinuation that they were kept in the dark by me or anyone else is false.
- Almost none of the evidence in this submission was volunteered by the BBC Trust to the NAO when they were compiling their original report. The Head of the BBC Unit is said to have initially claimed to the NAO that he knew of no discussions between me and the Trust on the redundancies.
- This submission deals with the question of the BBC Trust's knowledge of, and involvement in these settlements. I accept that, as Director-General, I was responsible for proposing the settlements as part of my wider plans substantially to reduce senior management pay and numbers at the BBC. Despite their size and difficulty, I believed that given all the circumstances the redundancies were in the best interests of the licence-payer and the BBC and I take full responsibility for proposing them. Nothing in this submission should be read as an attempt to deny that responsibility.

1. Introduction

1.1 This submission addresses the timing and extent of the BBC Trust's knowledge of, and involvement in the severance payments to Mark Byford and Sharon Baylay. It consists of this statement and a set of relevant documents and

emails which I have obtained from the BBC. Section 2 of the statement covers the period from May to July 2013 and explains how I first became concerned that the NAO and the PAC might be misinformed on these issues. Section 3 sets out the approach I and the rest of the BBC Executive took in our interactions with the BBC Trust while I was Director-General. Section 4 then deals with the main question and its implications.

1.2 Throughout this submission, I will use 'BBC' to mean the institution itself, up to and including its most senior managers and its Executive Board, and 'BBC Trust' to mean the governing body to include its own secretariat and support staff (the 'Trust Unit'). I will generally refer to the Chairman as the 'Chairman of the Trust'.

1.3 I will focus on the Byford and Baylay cases because there are a number of serious inaccuracies and misconceptions about them which I wish to correct, and because the Mark Byford case in particular has been the subject of extensive comment. But they also have a wider relevance: anyone who understood these cases in detail knew almost everything there was to know about the BBC's policy and practice in handling senior manager severance – and it is my contention that, contrary to their evidence to the PAC on 10 July 2013, the BBC Trust did understand these cases in detail before any decisions were taken, and the claim that they were kept in the dark about these cases and the wider policy and practice is untrue.

2. May-July 2013: My communications with the NAO, the BBC and the BBC Trust during the preparation of the NAO report

2.1 The NAO did not ask to interview me for their report into severance payments at the BBC and I was not given the opportunity to address the principal issues they raised in their report. However, I was emailed by the BBC on 24 May 2013 with an attached message from the NAO which explained that they wished to show me those parts of their draft report that mentioned me. The passages the NAO sent me included one draft paragraph from their summary and a number of draft 'case studies'.

2.2 I sent a reply to Peter Gray of the NAO on 29 May in which I made a number of points, one of which is relevant to this submission. It was about the approval of severance terms for the Executive Directors Mark Byford and Sharon Baylay (each of whom featured in a draft case study). I explained to Peter Gray that formal approval of severance terms for Executive Directors rested not with the DG (as that draft suggested), but with the Executive Board Remuneration Committee (EBRC) which is wholly composed of independent non-executive directors, though I made it clear that I had proposed and recommended the settlements in question. But I added that, although it was not part of the formal process, I had also consulted the Chairman of the BBC Trust on the severance packages because of the seniority of the managers involved and the likely sensitivity. Indeed it was my practice to raise all suggested changes in the remuneration and reward of Executive Directors with the Chairman in advance

so that he (and, if he chose, other Trustees) could give me their input before decisions were made.

2.3 In fact I clearly remembered that there had been extensive discussions with the BBC Trust about both these two cases and I thought it was important that the NAO should know this and reflect it in their report.

2.4 I was therefore surprised and concerned to be told a few days later by a senior BBC official that they had been informed by the NAO that Nicholas Kroll, the head of the Trust Unit, had told them that he could not recall any discussions between me and the BBC Trust on these two redundancy cases. I knew that this was not true.

2.5 Given this denial, the official told me that they believed that the NAO would not include any mention of the consultation with the Trust unless documentary evidence of it could be found. Peter Gray of the NAO duly asked me, in a letter dated 30 May, whether I could help the NAO locate any written record of the discussions. Although I knew that much of the dialogue with the Chairman and the Trust had been oral, I felt sure there had been some written materials as well and my former colleagues at the BBC agreed to start a search for them.

2.6 They were initially unable to find any written record of the discussions. I was told by a senior BBC official who had spoken to Nicholas Kroll that he and the Trust were sticking to their story and indeed that Nicholas Kroll had told them that the first he had heard of the numbers involved in the settlements had been when he read about them in the newspapers. This official confirmed this to me in an email on 5 June:

Re Sharon and Mark, Nicholas was adamant he was not aware and Sir Michael, I understand, has written this to the NAO. (I've not seen the letter) I therefore do not think the NAO will add a mention of informal discussions with the chairman.

The NAO meanwhile sent me fresh draft wording on the question of the Trust's involvement. This draft acknowledged that they, the NAO, had been 'provided with conflicting evidence' by me and the BBC Trust but it focused solely on the issue of whether the BBC Trust had given formal approval or not and concluded that there was no evidence of such approval. But, from my first communication with the NAO, I had made it clear that I accepted that formal approval under the Charter rested with the EBRC. What was at issue was an extensive process of discussion and consultation with the BBC Trust, one which had furnished it with every opportunity to comment, influence and object to the proposed settlements. This issue was not addressed in the NAO's new wording.

2.7 On 8 June, I was told by the BBC that some documents had been found, the most important of which were: i.) a long briefing document (Document 1, which I will refer to as the '7 Oct Note') from me to the Chairman of the BBC Trust, Sir Michael Lyons (often referred to in emails as SML), setting out the VFM rationale for the restructuring and including the headline numbers of projected severance payments to Mark Byford and Sharon Baylay, and ii.) a chain of emails between the head of my office, Jessica Cecil, and Nicholas Kroll (Document 2).

2.8 I will discuss the significance of these documents in detail in Section 4. For the moment, suffice it to say that the 7 Oct Note was important both for its content and for its date – it was sent to the Trust some days before the EBRC met to consider the two severance cases – and the email chain demonstrated that the Trust had known in advance that the date at which formal notice would be served on the two directors being made redundant would be delayed into the following year (2011).

2.9 I therefore wrote a letter to Nicholas Kroll which the BBC forwarded to him on 9 June and which is appended to this submission as Document 3. I concluded it as follows:

The NAO have asked whether I was aware of any documents relating to my contacts with SML, but it seems to me that the issue of the disclosure of these or any other documents should, at least in the first instance, be a matter for the BBC and the BBC Trust.

What I'm not going to put up with, however, is the false suggestion that I made no attempt to ensure that the Trust knew about and had a chance to influence and satisfy itself about the proposed settlements before they were concluded. The record shows otherwise and, if I am forced to, I will use the record to substantiate the point.

2.10 Nicholas Kroll emailed me to ask me whether he could show the letter to Sir Michael Lyons and I told him that of course he could. He then emailed to say he would do so and added: 'Possibly a failure to be clear or Chinese whispers, but I have never meant to suggest that there were no recollections on the Trust side of any discussions or communications at all.' This obviously conflicts with the earlier account I had been given about what Nicholas Kroll had told the NAO. A BBC official who had heard Nicholas Kroll denying that he was aware of any discussions between myself and the Chairman emailed me on 10 June:

At least the NAO know what they were told and by whom!

Another senior official emailed me to say: 'Remarkable. Black is white.'

2.11 On 11 June, Nicholas Kroll sent me a substantive reply to my letter of 9 June (Document 4) in which he conceded that I had informed the BBC Trust of the 'headline figures and payback for severance payments for Mark Byford and Sharon Baylay' as part of my briefing about the wider restructuring. But the letter focuses principally on the question of formal approval and says that, notwithstanding their knowledge of the 'headline figures', the BBC Trust were looking to the EBRC to 'undertake all necessary scrutiny as to approval and implementation'. As we shall see, however, this second version of events, and the claim that Trust knowledge was limited to 'headline figures', is also unsustainable given the further documents that have come to light.

2.12 On 14 June, Peter Gray of the NAO sent me fresh draft wording for the two case studies which reflected the Trust's new position. This is an extract:

[...] The following day, the then director general of the BBC, Mark Thompson, sends a note for the BBC Trust, informing it of restructuring proposals including the costs associated with making the deputy director-general redundant. The BBC Trust does not have a role in the approval process and so the purpose of the note is to inform the Trust about what is planned. [...]

2.13 I replied to Peter Gray on the same day (Document 5) and said that I still did not believe that this wording was accurate, for the following reason:

[...] It is right to say that the BBC Trust does not have a FORMAL role in the approval process. However, the Chairman and the Trust Unit [...] did want to know in advance about likely terms and to be able to input their view before anything was formally approved. It was in effect a pre-clearance by the Trust before the cases were presented to the Executive Board Remco [EBRC]. The purpose of the 7th October note was to confirm what had been discussed, to give a VFM context which might be useful for other members of the Trust to see, and crucially to give the Trust an opportunity to raise any concerns before the Executive Board Remco considered formal approval. In other words, it is not true to say that the note was only for information.

The NAO wording also left out the significant fact that the email exchange between the head of my office and Nicholas Kroll confirmed that the Trust had known in advance that notice would not be served on Mark Byford and Sharon Baylay until the following year (I do not know whether the BBC Trust had disclosed this email exchange to the NAO or the PAC at this stage). In any event, the NAO told me that they intended to keep their proposed wording. This wording no longer included a reference to 'conflicting evidence', and the fact that I had a different view of the Trust's knowledge and involvement in these two cases was not mentioned either by the NAO or the witnesses during the 10 July PAC hearing.

2.14 I remained concerned both about the wording in the NAO report and about the risk that, when they appeared to give evidence to the PAC on 10 July, BBC Trust witnesses might understate the extent of the Trust's knowledge and involvement in these two severance cases and, in so doing, mislead the Committee. On 9 July, I therefore wrote to Anthony Fry to emphasise again that, although I accepted that formal approval rested with the EBRC, 'it would be wrong to suggest that the Trust were uninvolved in the decision-making process in these two cases.' This email and Anthony Fry's reply are appended as Document 6.

2.15 The evidence given by the witnesses on 10 July fully justified my concern. I therefore asked the BBC to do a further search for relevant documents. As a result, a number of new documents and emails have come to light which, in my view, demonstrate that the Trust's knowledge, involvement and ability to intervene in these two cases was far more extensive than they have led either the NAO or the PAC to believe, and that a large number of the statements made by the witnesses on 10 July were untrue. I will turn to this evidence in Section 4 of this submission.

3. Context: Information-sharing and consultation with the BBC Trust during my period as Director-General – in general and in the context of senior management remuneration

3.1 It was my practice to take an 'open book' approach with the BBC Trust in relation to every aspect of the BBC's services and operations. Whenever I became aware of a significant problem or a potentially contentious issue, I immediately informed the Trust – typically by phoning or emailing the Chairman. I never knowingly withheld an important piece of information from the Board of the Governors or the BBC Trust. I regarded the potential severance payments to Mark Byford and Sharon Baylay as being exactly the kind of significant and potentially contentious issue which I had an obligation to ensure that the Trust was fully informed about. It is my position that I did so inform them.

3.2 As part of this 'open book' approach, I allowed officials working for the BBC Trust to interact freely with other directors, and indeed with other managers and members of staff across the BBC and to ask any questions which they or Trustees had about any aspect of BBC policy or practice or to give guidance on the drafting of papers which were to be submitted to the Trust. As we shall see in Section 4, Trust officials did just that on multiple occasions in relation to the restructuring proposals of which the Byford and Baylay severance cases were a part.

3.3 Senior management remuneration and numbers were matters of particular concern to the BBC Trust. Under the Charter, the Trust is theoretically directly responsible only for the remuneration of the DG and for the 'strategy' (undefined in the Charter) for the remuneration of other members of the BBC Executive. In practice, the Chairman and Trustees wanted to be consulted in advance about significant changes to the remuneration, numbers, or employment policy and practice in relation to the whole senior management population. Given the saliency of senior pay at the Corporation, I believed this to be a reasonable request, and indeed I and successive Directors of the BBC's HR department worked closely with Chairmen, Trustees and Trust Unit officials on developing a series of steps to reduce the numbers of senior managers and the pay bill associated with them. The EBRC and Executive Board were also fully involved. In their evidence to the PAC on 10 July 2013, the Trust witnesses implied several times that the Trust had met resistance or indifference in its efforts to reduce senior management pay and numbers. This is far from my recollection.

3.4 When I was appointed Director-General of the BBC in the Spring of 2004, I believed that the organisation had more senior managers, more directors and a larger Executive Committee than was necessary to carry out the BBC's mission. As a result, with the support of both the Executive Board and the BBC Trust, I led a series of programmes to reduce numbers. By the time I left the BBC in September 2012 there were around a third fewer senior managers than when I arrived (see the appended Chart 1 which has been provided to me by the BBC).

3.5 We also took steps to control and reduce senior management remuneration at the BBC. These included: i.) a commitment to apply a discount of between 50% and 80% to the pay of Executive Directors against a table of private sector

equivalents compiled by independent experts; ii.) the abolition of bonuses (I had already waived a bonus for myself every year since my appointment as DG); iii.) a multi-year pay freeze; iv.) a voluntary sacrifice of one month's pay by members of the Executive Board; v.) the removal of private health insurance and car allowance for new senior managers.

3.6 During the summer of 2010, we also decided to withdraw the entitlement, which some senior managers enjoyed, to supplementary pay in lieu of employer pension contributions for that portion of their remuneration which was above HMRC's salary cap. In the same time period, we also proposed sweeping changes to the main BBC pension schemes to which most senior managers belonged. The effect of these changes was significantly to reduce the pension pots which most senior managers in the schemes were likely to receive and, in the case of those who had been receiving the supplementary pay in lieu of pension contributions, to significantly reduce their total remuneration as well.

3.7 All of these steps were taken only after detailed discussions with the BBC Trust, and with their full knowledge and support. Let me add that, throughout these series of reforms, I believe that the Chairman, Sir Michael Lyons, and other Trustees were focused on achieving the best result for licence-payers and the long-term health of the organisation, and that their involvement was valuable in holding me and other senior managers to account and in ensuring that real progress was made on these issues.

3.8 The strategic reduction in the senior management population, together with more ad hoc restructurings at divisional level, as well as a number of editorial and other incidents which led to the departure of individual senior managers, meant that the period 2005-2012 saw more redundancy and other severance settlements than usual. The NAO report assumes that in all severance cases the best possible outcome from a VFM perspective is that severance should be agreed at the lowest possible cash amount allowable under the individual's contract. In fact, BBC policy accepted that other considerations could be important: these might include wider VFM savings which might be unlocked if a settlement was reached in a particular way, or operational effectiveness during a transitional period, or a reputational imperative that a given senior manager should leave the organization quickly. The policy guidance, for example, on redundancy and restructuring, read:

R and R cases [redundancy and restructuring cases] should be treated as any other investment proposal with cost matched by an appropriate and attractive return on investment (financial and non-financial). Pay back is the key financial metric for short-term spend to save proposals.

Another example might be a situation where, although the employment lawyers advise there is no clear-cut case for dismissal, there are powerful and legitimate reasons why the BBC Executive (or, in the case of a DG, the BBC Trust) might believe that a manager should depart immediately. In this and in other cases, the BBC might conclude that a compromise agreement which exceeded the minimum possible level of severance payment made the best sense for the BBC and the public. As we shall see, Lord Patten made exactly this case in relation to the

severance paid to George Entwistle (see 4.37 below). It is my understanding that BBC policy and practice allowed for senior managers, the EBRC and the BBC Trust to take wider financial and non-financial factors into account in deciding individual cases, and that it is wrong to argue that every instance where a settlement exceeded the minimum possible payment represents a 'breach' of policy, as the NAO report suggests.

3.9 Although the BBC Trust was not part of the formal approval process for severance payments except in the case of a departing DG, I would often brief the Chairman on the broad terms on which individual high-profile managers were departing and know therefore that both Chairman and Trust officials were aware that this was sometimes on the basis of negotiated 'compromise' agreements that exceeded contractual minima. Lord Patten's letter to John Whittingdale MP (quoted in 4.37 below), makes it clear that he was not just familiar with this practice, but thought it defensible.

3.10 The Charter gives full responsibility to the BBC Trust for the remuneration of the DG. It is more ambiguous when it comes to other Executive Directors: remuneration 'strategy' lies with the Trust, 'policy' with the non-executive members of the Executive Board and it is unclear where 'strategy' ends and 'policy' begins. As a result, in practice any proposed change to the remuneration of Executive Directors ended up being considered, if necessary amended, and then agreed both by the relevant Trust committee and by the EBRC. That sometimes meant extended shuttle diplomacy between the two committees before any formal process of approval could take place. Specifically, the Trust expected to be able to see and effectively pre-clear any proposals for changes in the reward for Executive Directors before they went through their formal approval process at the EBRC. I had accepted that, given their broad responsibilities and the potential sensitivities involved, this was an understandable request for the BBC's governing body to make and, despite the practical difficulties, I endeavoured to ensure that the BBC satisfied it.

3.11 By the summer of 2010 therefore, we had become used to: i.) an extended process of information-sharing, discussion and consultation with both non-executive members of the Executive Board and the BBC Trust before any significant moves could be made to the reward of Executive Directors; ii.) Trust officials independently approaching directors and staff within the BBC's divisions to fact-find about any matters about which Trustees had questions or concerns; iii.) an expectation by the BBC Trust that it could pre-clear any significant proposals about Executive Director reward before they went to the EBRC for formal approval.

3.12 Anthony Fry asserted to the PAC on 10 July 2013 (Q76 and again at Q143) that I had 'told him to get back in his box', 'in not particularly pleasant terms', in relation to some conversation about senior pay (he told the Committee he could not remember the subject). I cannot recall any conversation that can be fairly characterised in this way. Given the confusion about roles, there certainly were discussions from time to time attempting to clarify the respective responsibilities of the two remuneration committees, but I did not use those words, nor similar

ones, nor did I speak in an angry or disrespectful tone to Anthony Fry or any other Trustee about the Trust's role in senior remuneration. I never declined any request for information about remuneration from the Trust or any of its committees and strove to work with Trustees to make as much progress as possible in reducing senior management pay and numbers.

3.13 Anthony Fry's assertion (Q7 and Q11) that the Trust 'had no power to intervene' and there 'is nothing we can do about it' in the context of senior management remuneration is disingenuous. If he seriously believed that the Trust were powerless and could do nothing about decisions like these two severance payments, then the whole question of whether or not the Trust were informed about them would be otiose. In fact, the Royal Charter is very clear that the BBC Trust is the BBC's 'sovereign body' and, in the end, has the right to intervene wherever it deems necessary. And in practice, the Trust took a keen interest in the remuneration of Executive Directors and, although formal approval rested with the EBRC, I always took guidance from the Trust as well before proposing changes. Had I believed that the proposed settlements for Mark Byford and Sharon Baylay were unacceptable to the Trust, I would not have presented them to the EBRC. The BBC Trust's position to the PAC on 10 July 2013 appeared to be that it took the lead and should be congratulated for progress on popular reforms (eg, reducing senior manager pay), but should be regarded as entirely impotent when it comes to any decision which has turned out to be unpopular (eg, severance payments).

4. The BBC Trust's knowledge of, and involvement in, the severance payments to Mark Byford and Sharon Baylay

4.1 In the Spring and Summer of 2010, notwithstanding the progress that had already been made, the BBC was under considerable political and media pressure to go further and faster in reducing both the numbers and the cost of its senior management population.

4.2 In turn, the Chairman and Trust understandably pushed me very hard about whether more could be done and, in particular, about whether the timetable of senior management reductions, which was currently planned to last three years, could be sharply accelerated. Although I knew that this would be very challenging, I shared the Trust's view of the need for urgency and, at one of their meetings in June 2010, I proposed that we should deliver the programme – which targeted a reduction of at least 20% in senior management numbers, and 25% in aggregate senior management pay – in eighteen months, in other words by the end of 2011, or twice as quickly as the original plan. The Trust agreed to the proposal.

4.3 We had always known that the proposed savings would require reductions at the most senior levels as well as across the management population as a whole. I had already abolished four director posts, but we now realised that further steps would be necessary both to meet the numbers and to make the restructuring proportionate and credible inside and outside the BBC. In

particular, we believed it was the right moment to further reduce the size of the Executive Board, not by just redefining posts but by eliminating some posts altogether. Over the course of the summer, two specific ideas emerged: i.) the gathering of many support areas – including Marketing, which was at the time a separate division – under the Chief Operating Officer; ii.) the abolition of the role of Deputy Director-General.

4.4 Such restructurings are inevitably difficult and involve losing valuable talent. Nonetheless, I felt that placing the marketing, communications and audience functions under the COO and eliminating the role of Executive Director of Marketing, Communications and Audiences, made sense. I was initially more concerned about the proposal to eliminate the role of DDG. In particular, I felt that Mark Byford's breadth of editorial and managerial experience was an asset the BBC could ill afford to lose. I had known for some years that I would want to step down as DG soon after the 2012 London Olympics and I had discussed with Mark Byford the possibility of his staying on to support the next DG until he or she was firmly in the saddle; I believed that, whoever they were, they would benefit from Mark Byford's exceptional institutional knowledge and loyalty. By the end of the summer of 2010, however, I had become persuaded that the advantages of eliminating the role – the financial saving, not just of the DDG's salary, but of the closing a whole divisional headquarters; the simplification of the structure; and the signal it would send out about the seriousness of our intent to reduce the number of senior managers – outweighed the risks. In addition to other aspects of the restructuring, I began to work with Lucy Adams, the Director of BBC People, and her colleagues on the practicalities of these two redundancies. (In the paragraphs that follow, I will concentrate on the Mark Byford case because it is the more notable of the two; similar considerations applied in the case of Sharon Baylay.)

4.5 Given Mark Byford's contract and his 31 years of service, it was inevitable that a redundancy would involve a substantial severance payment and I warned both the EBRC and the Trust of this fact. I also told them that I believed there were a number of significant operational considerations which meant that in my view it was in the interests of the BBC to reach an amicable settlement with him:

- First, although I believed it would be advantageous to announce the plan as soon as possible to get the wider restructuring off to the best and most credible start, we were far from ready to make Mark Byford redundant yet. It would take some months of detailed planning and preparation before we would be ready to implement the new structure and hand all of his responsibilities over to other people. He would therefore be fully employed well into 2011 and, in event, led the development and delivery of the BBC's coverage of the Royal Wedding as well.
- Second and most importantly, we needed Mark Byford's own active and willing help throughout this transitional period. He had a number of critical relationships with stakeholders which needed to be handed over with great care; to give only one example, he was the lead BBC partner with LOCOG and the planning for 2012 Olympics. The changes to the

management arrangements for Scotland, Wales and Northern Ireland (Mark Byford was the responsible Executive Director and his departure would come on top of the recent abolition of the role of Director, Nations and Regions) were also particularly sensitive at this time. I believed that Mark Byford's vocal support for the proposed new arrangements and his engagement with the nations and other stakeholders during the interim would be vital. We were concerned that his internal and external authority and ability to deliver these goals might be undermined if he was seen to be serving out his notice. As is clear in the email traffic, the Trust shared my anxiety about the gap that Mark Byford would leave and the need for a clear plan for how his responsibilities would be parcelled out to others, followed by a carefully-managed transition.

- Third was the question of urgency. The programme of reducing senior management numbers and pay was expected to deliver very large and recurring VFM savings for the BBC; as a result, even a relatively short delay in starting the wider programme would mean significant lost savings and the risk of missing the new, very tight deadline. Having arrived at the plan, I was anxious to announce and begin to implement it. By early autumn, the only obstacle left before announcement and the start of implementation was the resolution of these two senior cases.
- Finally, although I did not regard this as a high risk, I was also advised that, given that we planned to give Mark Byford's central responsibilities for journalism to Helen Boaden, the Director of News, a non-consensual termination might expose the BBC to an action for constructive dismissal.

These factors would be discussed with both Executive and Trust over the coming weeks and were important considerations in the final decision-making process.

4.6 In recent years, the BBC had taken several steps to limit redundancy payments to senior managers. In common with other staff, most senior managers were entitled to the equivalent of one month's pay for each year of service. In the early 2000s, this entitlement was capped for Executive Directors at a maximum of 12 months pay, no matter how many years of service the director in question had given, and existing Executive Directors were asked to sign new contracts which included this cap. Mark Byford had signed one of these new contracts. In 2008, we extended this 12-month cap to all new senior management joiners. Further, the BBC had traditionally often offered senior managers (and other staff) significant augmentation of their pensions if they were asked to leave. Though still common elsewhere in the public sector, this traditional practice was progressively tightened at the BBC during my years as DG and eliminated altogether in early 2011. No pension augmentation was offered or paid in either of the two cases under discussion here.

4.7 Nonetheless it is also true to say that the question of severance for senior managers had not received as much attention as their numbers, pay and pensions. Moreover our main focus in 2010 was in reducing senior manager numbers. I recognise that during this period there was considerable pressure on

the HR team to achieve the targets and timetable I had agreed with the BBC Trust, and that the HR team regarded the existing severance terms as an important lever in achieving those targets. But we also knew that the sooner the redundancies were made, the larger the overall savings would be.

4.8 There is a further consideration. In the 1990s and early 2000s, there had been a rapid growth in executive pay in commercial broadcasting (as well as the wider private sector) and, although the discount between BBC and commercial executive pay grew over the period, BBC executive pay grew significantly as well. One consequence of this is that, despite the fact that new controls had been placed on severance (capped payments for past service and phasing out of pension augmentation), the larger salaries still meant that the absolute amount of some settlements would also be large. By the late 2000s, the BBC was taking steps to contain and, where it could, reverse this trend, and closing some high-paying posts was a part of that strategy. These post closures would yield significant and recurring savings, but the base salaries associated with those posts led to substantial severance payments.

4.9 In September 2010, I informed both the Chairman of the BBC Trust and the Chairman of the EBRC that we were minded to close the posts of DDG and Director of MC&A and to make the current occupants redundant. What followed was an extensive series of phone-calls and meetings with both the Trust Chairman and the Chairman of the EBRC in which the options in both cases were discussed in considerable detail and with the presentation of calculations for different options. Again let me emphasise that, during this entire process, there was never any doubt in anyone's mind that, under the Charter, formal approval would rest with the EBRC. It is also my belief that, throughout, the Trust and Sir Michael Lyons in particular were motivated solely by a desire to achieve the best outcome for the licence-payer and the BBC.

4.10 Let me quote from an email which Lucy Adams, the Director of the BBC's HR Department, sent to some of her colleagues on 14 September 2010¹. The email relates to an error which the HR Department had made in calculating Mark Byford's potential severance entitlement. Under the new contract which he had signed in the early 2000s, in the event of redundancy Mark Byford was entitled to a maximum of twelve month's pay for past service and twelve month's notice. However a senior HR manager had mistakenly based his advice to Lucy Adams on an earlier and now defunct contract in which the cap was 24 months pay for past service. Lucy Adams writes:

[...] I then met with MB [Mark Byford] and talked him through his contractual entitlement as per [the] schedule. He expressed surprise that it was two years but believed me as I said [...] had been through the file.

There then proceeded to be a series of detailed phone calls with MB, MT and between MT and the Chairman – reviewing MB's potential exit package. All of these discussions were based on the assumption of 2 years redundancy.

¹ Although I have a copy of this email, I have been asked by the BBC not to submit it to the Committee for legal reasons which are wholly extraneous to the matter at hand.

While [...] was on holiday, I asked [...] to work up a potential exit letter for MB. She went over the contract file and rang me on the 2nd Sept to say that he was in fact only entitled to one year. I therefore had to confirm this with MB and MT – who in turn had to ring the Chairman to explain.

This email indicates the detailed nature of the conversations in September between myself and the Chairman about the Mark Byford case and confirms that the briefing was not just at a 'headline' level, but involved close consideration of 'MB's potential exit package'.

4.11 On 17 September 2010, I provided a written memo with the title 'Project Silver' to the Chairman ('Silver' was the name given by the HR Department to the scenario-planning in relation to the DDG role). I understand that this note has now been disclosed by the BBC Trust to the NAO and PAC. So too has a summary timetable (Document 7) of meetings and communications between myself, other members of the Executive and the Trust on this matter².

4.12 The Project Silver memo is a very detailed and confidential note about the options and alternatives for agreeing terms for severance for Mark Byford. The memo was based on the correct contract but was written before we had settled on a preferred approach. Specifically, the memo is clear about what we expected a settlement based on 'contractual terms' to consist of:

12 months notice + 1 x annual pay in respect of service, ie a total of 2 x annual pay. That would add up to £950,000.

In other words, we warned the Trust as early as mid-September that, in this scenario, we expected to recommend making a payment in lieu of the one year's notice and that – taken together with the capped payment for past service – the total was likely to be £950,000. This turned out to be precisely the settlement that was eventually paid.

4.13 The memo then suggests an alternative which would have involved a longer, step-by-step departure of Mark Byford from the BBC. It seemed a viable possibility at the time of writing but quickly turned out to be both undesirable and unworkable and was dropped. The note also raises a third option, which is that we might:

conclude that legacy commitments mean that post closure/redundancy in this case is simply too expensive and sensitive and look for other ways of reducing Exec Board numbers.

I wanted the Trust to understand that the benefits and risks were sufficiently finely balanced that we might decide that not making the redundancy was the best course of action. Far from hiding or ignoring the difficulty of severance in the Mark Byford case, I was putting on the table the option of abandoning the redundancy altogether because of the difficulty.

² A version of this chronology was published by the BBC Trust on 4 September 2013. It does not differ in substance from the version appended to this submission.

4.14 The Chairman and I discussed the memo on the phone on 21 September 2010 and in a routine meeting the following day. According to BBC Trust records, quoted in their timetable, the Chairman was 'sympathetic to the alternative route' but wanted to ensure that Marcus Agius was also across the options (which he was). The phrase 'sympathetic to the alternative route' supports the view that the purpose of the Silver note and the subsequent phone call was not just to brief the Chairman 'for information', but to seek his advice and guidance on the different options. The Chairman's question about Marcus Agius is because he did not want the Trust to be the sole input or to take over the EBRC's role in terms of formal approval. On 29 and 30 September there was a BBC Trust conference which included a dinner, during which I briefed Trustees on the restructuring plan, on the proposal to reduce the size of the Executive Board, and on the Mark Byford and Sharon Baylay redundancies. On 30 September, the BBC Trust endorsed the restructuring plan.

4.15 We now move to the final days before the two severance packages were submitted to, and approved by, the EBRC. A provisional date was set for a meeting of the EBRC on 11 October 2010 with an expectation, assuming the proposals were approved, of an internal and external announcement of the plans immediately thereafter³.

4.16 By now both Lucy Adams and I had become convinced that, although by no means perfect, the option that made the best overall operational and VFM sense for the BBC was redundancy and that we should strive to reach an amicable settlement based on Mark Byford's contract.

4.17 We informed Mark Byford that any settlement would have to be limited to the payment for past service and notice that was set out in his contract and could not include any pension augmentation. We also told him that any settlement would need the effective approval not just of the EBRC, but of the BBC Trust, and that he should regard neither as a foregone conclusion. Finally we said that, if he committed to offer us full support during the transitional period, we would recommend meeting his contractual right to a year's notice with a payment rather than requiring him to work out some or all of his notice. I was advised by Lucy Adams that making such a payment in lieu of notice in this way was acceptable from an HR policy perspective and that it would be necessary if we were to reach an amicable settlement. Our plan would be to get an outline settlement agreed and through the system immediately with a view to concluding a final settlement with him at the point at which formal notice was served.

4.18 I was completely open, both with Marcus Agius as Chairman of the EBRC and with the Chairman of the Trust, about the fact that we were minded to make a payment in lieu of notice and that it was likely that we would not serve Mark Byford with formal notice until well into 2011.

³ Some email traffic between managers questions whether EBRC approval is needed (given the advice that these were redundancies within contractual terms), but I and Sir Michael Lyons were both of the view throughout that – because these would be substantial payments to Executive Directors – it was essential that they were formally placed before the EBRC.

4.19 I was asked by the Chairman to provide a briefing note which he could share with other Trustees before the EBRC met to consider the two cases on 11 October. The note was intended i.) to set the two redundancy cases in their immediate VFM context (in particular setting out the pay-back profile), and against the savings of the wider restructuring programme; ii.) to address some other issues that Trustees had raised, in particular about how I planned to divide Mark Byford's responsibilities up among other senior managers. This is what became the '7 Oct Note' (Document 1), which I referred to in Section 2.

4.20 In her evidence to the PAC on 10 July (Q23, Q27), Lucy Adams inexplicably said that she did not believe she had seen this note: 'I am not aware of the letter that went to the Trust. I did not actually write that letter'. In fact, she was one of its main authors as the email traffic shows, though I made some amendments to it in light of my ongoing conversations with Sir Michael Lyons, and other BBC departments contributed to it as well. As we will see, BBC Trust officials were also closely involved in the drafting process.

4.21 On the evening of 6 October 2010, Jessica Cecil, the head of my office, sent an email to Lucy Adams which included detailed guidance from Nicholas Kroll on part of the drafting of the 7 Oct Note and which is appended (with the reply) as Document 8.

Lucy,

We have this back from Nicholas Kroll:

In note 2, I think it would be better at para 3 to be more transparent about the restructuring costs: give separate sums for DDG and MCA post closures, and identify payback periods without the unconventional add-ons such as associated savings from cars etc in brackets.

As to handling, I would advise that it is enough just to update other Trustees rather than go through any RAC process. Note however that the Chairman is keen to be assured that EBRC have signed off the proposals and associated costs.

4.22 At 08:41 on the morning of 7 October, Lucy Adams sent an email to Jessica Cecil, the Head of my office and Chris Waiting, the Head of the COO's office at the BBC. This email and the chain of emails which preceded it are appended as Document 9. The emails involve an exchange of different draft versions of a key passage in what would become the 7 Oct Note. In the 08:41 email, Lucy Adams wrote:

I think this new version addresses NK's points.

A comparison of the draft version included in the 08:41 7 October email, with that included in an email sent from Jessica Cecil to Chris Waiting two days earlier (at 18:07 on 5 October) shows how at least one of Nicholas Kroll's points was met. Further detail is added about the payback period and the wider VFM context. The 5 October draft reads:

The total cost of redundancy is estimated to be £1.4 million. Including all additional relevant savings (eg, DDG's car and driver, Pas and other employment and office costs &c.), the post closures will pay for themselves within 12 months.

The draft two days later (with additions underlined) reads:

The total cost of redundancy is estimated to be £1.4 million (£1,022,077 for the DDG post and £387,500 for Director, MCA). The post closures will pay for themselves within 16 months. If one includes all additional relevant savings (eg, DDG's car and driver, Pas and other employment and office costs &c.), the post closures will pay for themselves within 12 months. The resulting savings from re-structures of the Journalism, News and MCA Boards that are made possible by the removal of these posts are clearly far more significant.

The second draft is certainly an improvement in that it provides more detail and context for Trustees. But it is also clear that at this stage Trust officials are themselves playing a significant role in determining how much detail should be disclosed to Trustees in the Note. Had they wished to include any additional information about the two redundancy cases, my colleagues would certainly have complied. It is not reasonable to criticise me, as the Trust witnesses did on 10 July 2013, for not including information in a document which their own officials were helping to draft – particularly when they were giving my colleagues specific advice on how much information to disclose.

4.23 Later on 7 October, at 12:23 pm, Lucy Adams sends an email to Jessica Cecil (Document 10) in which she suggests sending 'a version of the Trust note' to Marcus Agius, the Chair of the EBRC. I recall that a copy of the 7 Oct Note was indeed added to the papers which the EBRC had when it considered giving formal approval to the proposed settlements the following week.

4.24 Three hours later at 15:48, Jessica Cecil sends another email (Document 11) in which she says:

Lucy, Trust have asked for changes. See paragraphs A), B) and C) below. Could you read and give me an urgent assessment of whether they work for you, as I hope to sign off with Mark and send to the Trust in the next hour or so. Thanks.
Jess.

Lucy Adams replies 'Yes they work for me' and, as the first of the emails in Document 2 shows, the 7 Oct Note was finally sent by Jessica Cecil to the Trust at 6:34 that evening. The urgency which Jessica Cecil speaks of, and which is evident in all of the exchanges in the days leading up to 7 October, was driven by the timetable. The timetable, in turn, was driven by the desire that the BBC Trust should be able to consider and sign off – not on the broad restructuring plan, which they had already done – but on the two specific redundancy cases before the EBRC met to consider formal approval. The phrase 'Trust have asked for changes' confirms that the 7 Oct Note was far from the way it was characterised by Anthony Fry in his testimony to the PAC on 10 July 2013 (eg Q7, Q11) or indeed by the NAO in their report. This is not just a memo 'for information' from me to the BBC Trust: . Trust officials were themselves engaged closely in its composition and would not let it be formally submitted to the Chairman until the wording was perfect from their point of view.

4.25 The emails continue on the night of 7 October and the following morning (they appear in Document 2). Nicholas Kroll tells Jessica Cecil that the Chairman will probably want to talk to me again. He then emails again and asks whether the EBRC is 'content with the restructure and associated payments to individuals concerned', and about when the payments are likely to become public.

4.26 In answer to the second, Jessica Cecil replies to Nicholas Kroll:

The EBRC approvals are for maximum payments. From now until the individuals leave the BBC, they will be in consultation with the BBC. They will only get their formal and final letters confirming their redundancy arrangements when they are served with notice – in both cases, that will be in calendar year 2011. So it is not yet possible to say when we would go public with their payments.

This is further confirmation that the BBC Trust were expressly informed about the proposal to delay the serving of formal notice into the following year. It is significant that neither Nicholas Kroll nor anyone else from the Trust raises any questions about the delay in serving notice. This is because it was a restatement of what they already knew. The 'Key Messages and Q&A Document' (Document 12) prepared with the BBC Press team, which was also shared with the Trust, again emphasised the provisional timetable for Mark Byford's departure, spelling out that he would be likely to step down from the Executive Board at the end of March 2011, and leave the BBC at the end of June 2011:

The DG has announced that he is closing the post of X. X will leave the Executive Board at the end of March and the BBC at the end of June.

This demonstrates that the Trust were aware not just of a delay into 2011, but the actual dates in that year at which Mark Byford was expected to step down from the Executive Board and then leave the BBC. It is already established that they knew that we proposed to give him a payment in lieu of notice at the point of departure.

4.27 The Trust's chronology of events (Document 7) suggests that the 7 October Note was provided to all Trustees on Sunday 10 October 'along with a commentary from SML following a discussion with MT that morning. SML states that he sought and received confirmation that NEDs signed up to cost of redundancies'.

4.28 By the morning of the next day, 11 October, I believed that I had the all clear from the Trust formally to present the two cases to the EBRC. I also believed that the Chairman had shared the proposals with other Trustees and that they had collectively reached much the same conclusion about them as I and Lucy Adams had, namely that – though substantial and therefore liable to prove controversial – they were justifiable both operationally and financially given the circumstances, and given the larger savings they would unlock. Had they not reached this conclusion, they would have had an obligation to raise a concern about the payments with me or with the EBRC either then or subsequently, and no such concern was raised.

4.29 One of the complexities I had to wrestle with in the days leading up to the EBRC meeting was the following chicken-and-egg problem: the BBC Trust wanted to pre-clear the decision before the EBRC met to consider formal approval, but did not want to issue that pre-clearance until it could be sure that the EBRC would reach the same decision as they had. From the Trust's point of view, I can see that it would have been embarrassing to have supported a given settlement, only to find out that the NEDs on the lower board had turned it down. From my point of view, however, and that of other executives, it made the sequencing difficult. The Chairman wanted an assurance that the EBRC had already approved the proposed settlements, but the EBRC had not yet formally met and, quite correctly, wanted to follow due process and reserve its formal judgement for the meeting itself. Under these (less than ideal) circumstances, my approach was to hold simultaneous conversations with the Chairman and Marcus Agius, to sound Marcus Agius out about the likely reaction of the EBRC to different scenarios, and to offer the Chairman the best guidance I could on what the EBRC would do when it formally met. Some of the emails between BBC managers and Trust officials miss the nuances of this process and assume that hypothetical approvals and what-if scenarios have already taken place. I believe that, when it met on 11 October, the EBRC did its job of scrutiny in a thorough and open-minded way – and that they reached their conclusion on the day without feeling constrained by any prior discussions or commitments.

4.30 Anthony Fry's assertion to the PAC on 10 July 2013 (Q10) that Trustees were assured that 'it has been approved by the body that is designated to approve remuneration' is therefore inaccurate. It is true that I had been asked by the Trust for an indication of whether the EBRC would approve the settlements, and I had tried to do so, but the fact remains that, at the time when the 7 Oct Note was circulated to Trustees to test their support, the EBRC had not yet met.

4.31 On 10 July 2013, Lucy Adams acknowledged to the PAC that she had provided me with advice in arriving at the proposed severance settlement with Mark Byford, but she said that she did not believe that 'it was acceptable for him to get such a large payment in lieu of notice' (Q26). Although she was undoubtedly alive to the sensitivity of the severance payments and the finely balanced arguments, I do not recall her ever raising this or any other objection with me at the time, or with the EBRC or indeed doubts about any aspect of the BBC's then approach to severance payments. She told the PAC that she had 'put forward advice on drafting the arrangement with Mr Byford that we put forward to the executive remuneration committee' (Q29). In fact her role was more central: it was she who led the discussions with Mark Byford himself, and she who developed and proposed the eventual settlement to me. She is shown as both the author and the sponsor of the paper which was brought to the meeting making the case for them (Document 13). I do not mean any of this as a criticism or to suggest it was in any way out of the usual: negotiations about money and terms were almost always led and largely conducted by HR rather than line managers and the Mark Byford and Sharon Baylay cases were not exceptions to that rule. The Director of HR also invariably presented cases to the EBRC (as well as often briefing the Trust remuneration committee as well). Nonetheless, given her remarks to the PAC in July, it is worth noting that there is no record in

the minutes of the EBRC meeting (Document 14) of her raising any concerns. At the time, I had no reason to believe that she was anything other than supportive of the severance settlements which she herself had prepared and overseen and which she was now recommending to the EBRC.

4.32 In fact, the meeting of the EBRC was a tough one. In regard to Mark Byford, both Lucy Adams and I were questioned closely about the issue of the notice period, with all three members of the committee – Marcus Agius, Val Gooding and Rob Webb – testing the arguments (which I have set out in 4.5 above) about why we believed that it was in the best interests of the BBC to make a payment in lieu of notice rather than asking Mark Byford to work through some of his notice period. I recall Val Gooding in particular returning to this point several times. The independent directors also raised the question of the absolute amounts of money which it was proposed to pay in each case. By the end of the session though, the Committee had come to the view that, given all the factors, they could support management’s judgement on this question (and on the issues relating to Sharon Baylay’s redundancy), and they unanimously approved the outline settlements. The announcement about the future departure of these two executives and the wider restructuring was made later that week. The BBC Press Office briefed the media on the likely range of the Mark Byford settlement and largely accurate estimates appeared in many papers on the following day.

4.33 Both in the 10 July 2013 PAC evidence session and in other briefings, the BBC Trust has tried to make something of the statement in the 7 Oct Note that the two redundancies ‘will take place on the basis of the terms set out in their contracts’ (eg, Anthony Fry, Q10), the suggestion being that, given that the NAO found that the settlements were not on the basis of the terms set out in their contracts, they had been given misleading reassurance on the point.

4.34 It was the Trust’s own suggestion – made during the drafting process – that the 7 Oct Note should include an assurance about the relationship of the settlements to Mark Byford’s and Sharon Baylay’s contracts. I asked Lucy Adams and the HR Department for specific advice on whether the form of words ‘will take place on the basis of the terms set out in their contracts’ was accurate and was advised that it was. This is confirmed in an email which was sent by Lucy Adams to the head of my office, Jessica Cecil, on 6 October (Document 15), in which her advice is:

they are being made redundant and are not receiving anything other than their contractual entitlement. (Except for 25k for Sharon).

Had I not received this advice, I would not have agreed to include the wording in the document.

4.35 In fact, despite the claim made by the witnesses (and some members of the Committee) on 10 July 2013, the NAO report does not say that these two settlements were non-contractual. Its conclusion, in the case of Mark Byford, is rather that:

The BBC paid the departing manager the maximum possible salary in lieu of notice, despite deciding to negotiate a redundancy settlement eight months before the manager left.

In the case of Sharon Baylay, the NAO concludes: ‘the manager received the maximum pay in lieu of notice ...’ The phrases ‘maximum possible salary’ and ‘maximum pay’ are accurate, but they can only mean maximum under the contract; to state the obvious, there can be no specific maximum in a settlement which is not bounded by a contract and therefore has no upper limit. I take the NAO’s point to be rather that the BBC could have settled the contract for less money than the maximum by requiring that Mark Byford (and Sharon Baylay) should work out some or all of their notice – and that this would have represented better value for money. This is perfectly true as far as it goes, but does not take into account the wider restructuring and the much larger VFM savings that it would achieve if successful, nor does it address the other operational issues which we had to factor in as we made the recommendation. Given its remit, the NAO does not even mention, let alone consider, the latter.

4.36 There are examples of some severance settlements being made by the BBC during the period which incontrovertibly went beyond the terms of the relevant contracts; indeed the BBC Trust’s own settlement with George Entwistle is an example of this: having resigned, he was entitled to give the BBC six months notice but was instead given a payment in lieu of twelve months notice. I believe that there can be circumstances where it is in the interests of the institution to reach a compromise agreement to achieve the speedy departure of an executive and I have considerable sympathy for the situation in which the BBC Trust found itself in the autumn of 2012. But the NAO report does not in fact claim that the Mark Byford and Sharon Baylay settlements were extra-contractual in this sense, but rather that the BBC could have paid them less than the contractual maximum had it chosen to ask them to work out some of their notice.

4.37 Lord Patten himself took a very different view of what is contractual and what is not when on 12 November 2012, he wrote to John Whittingdale MP, the Chairman of Culture, Media and Sport Select Committee, to defend the payment which the Trust itself had agreed with George Entwistle (Document 16). Although every case is unique, many of the factors Lord Patten cites in this letter are the same as the ones discussed in this submission in relation to Mark Byford and Sharon Baylay. A ‘negotiated settlement’ was ‘justified and necessary’, Lord Patten wrote and added:

Under the terms of George’s contract the notice period for resignation is 6 months. The notice period for termination by the BBC Trust is 12 months. Both with the right for the Trust to make payments in lieu of notice.

In this case, Lord Patten emphasises the ‘right’ of the Trust under the contract to make payments in lieu of notice (even though, having resigned, George Entwistle was entitled to six rather than twelve months notice). On 10 July 2013, both Lord Patten and Anthony Fry effectively sought to deny that such a ‘right’ existed in the cases of Mark Byford and Sharon Baylay, notwithstanding the fact that the wording in this part of their contracts was identical to that of George Entwistle.

Ten days after writing this letter, Lord Patten spoke again at a press conference about the settlement that had been reached with George Entwistle:

I actually said to our lawyers, 'is this defensible?' and was assured that it was, that the deal we reached was both in the interests of the BBC to resolve a difficult situation swiftly, and was certainly also in the interests of the licence payers because it would almost certainly have cost us a good deal more to have proceeded to constructive dismissal [sic] with the very real possibility of unfair dismissal on top of that.

Lord Patten and the Trust believed that it was in the interests of the BBC and public that they should conclude a compromise agreement including a payment in lieu of notice (in this case at twice the contractual level) because of the wider considerations and the need for urgency. But on 10 July 2013, they denied that a similarly defensible decision might have been reached by both Executive and Trust in the autumn of 2010 in the cases of Mark Byford and Sharon Baylay. Yet many of the same arguments – the employer's freedom to elect to make a payment in lieu of notice, the need for urgency, the need for an amicable settlement not least to avoid the risk of being sued – applied in all three cases and, in all three cases, the advice from the experts were that the settlements were indeed 'defensible'.

4.38 However, whatever one's view of the correct interpretation of the word 'contractual', the entire argument is a red herring when it comes to what the BBC Trust did and didn't know about these two severance cases. The evidence establishes that the Trust was aware of precisely what was being proposed. The Project Silver note had been explicit about how BBC management expected to interpret 'contractual' obligations in the Mark Byford case, as well as the fact that we expected to make a payment in lieu of notice. Jessica Cecil's email to Nicholas Kroll confirms that the Trust knew that the date at which formal notice would be served was to be delayed into the following year. The press Q&A document which was sent to the Trust spelled the same thing out in more detail. BBC Trust officials had offered detailed guidance to those who were drafting the 7 Oct Note about exactly how the proposals should be set out in the document. They had asked us to break down the redundancy costs so that Trustees could see it by individual – had they asked us to spell out every detail of the proposed settlements in the note and to fully break down what was meant by the phrase 'on the basis of the terms set out in their contracts', we would certainly have done so.

4.39 Even if they had not been fully briefed by the Chairman and Trust officials, the circulation of the 7 Oct Note means that all Trustees would have known about the size of the settlements being proposed in these two cases and, in particular, that it was proposed to pay Mark Byford around one million pounds. If they had any unresolved questions or concerns about this, they were not conveyed to me either before or after the EBRC met. Apart from one fleeting reference to a newspaper story about severance based on an FOI request, there is no record that I can find in the agendas or minutes of any Trust meetings through this entire period and up to the point at which I left the BBC in September 2012 of any Trustee raising the topic of senior management

severance. One of Anthony Fry's answers to Austin Mitchell (Q45) on 10 July suggested that there were a series of 'particularly unpleasant discussions' between Trustees and members of the executive remuneration committee with the apparent implication that one of the topics that had come up in these discussions was senior management severance. I never heard of any 'unpleasant' discussions, nor of any occasion when Anthony Fry or any other Trustee mentioned the topic of senior management severance to any member of the Executive Board.

4.40 Lord Patten succeeded Sir Michael Lyons as Chairman of the BBC Trust in mid 2011. Although he recognised that progress had already been made, senior management numbers and pay were certainly much on his mind in his opening months in office. However, the notes which were made of his early meetings with me and Lucy Adams, in which he discussed his priorities on senior pay, do not mention senior management severance at all.

4.41 On 10 July 2013, Lord Patten stated, not just that the BBC Trust had been kept in the dark but that he himself was ignorant of the Byford and Baylay cases because he had arrived after the settlements were reached. Thus the following exchange:

Q4 Chair: So you think that you should have known. I completely understand that those within contractual obligations are an executive decision but, where they exceed contractual obligations, should the Trust have known?

Lord Patten of Barnes: Yes, and if you call a previous director-general of the BBC in due course, I will be as interested as you in why we didn't know.

Q5 Fiona Mactaggart: Did you think to ask any questions on those memos when they said "in contractual terms"?

Lord Patten of Barnes: I am not trying to cop out of answering the question, but the two cases that I am talking about were before I became chairman of the Trust.

4.42 In fact, Lord Patten was himself fully briefed, in writing as well as orally, about the Mark Byford and Sharon Baylay settlements soon after his arrival as Chairman in 2011. Lord Patten and I had decided it would be best to disclose the two settlements in the 2010/11 BBC Annual Report and Accounts, even though the departure (and therefore payment) dates technically fell outside that financial year. As a result, a detailed briefing on the settlements was prepared for Lord Patten and myself to prepare us for questions from the press and parliamentarians on the two cases. The relevant part of this briefing is appended as Document 17. The settlements also came up in a series of preparatory meetings and rehearsals which Lord Patten and I both attended. A comparison of this briefing material with the sections of the NAO report which deal with the Byford and Baylay cases shows that there is no revelation or additional information in the NAO report that was not part of Lord Patten's briefing materials in July 2011. Two years later, he would claim he felt 'shock and dismay' when he read the same information in the NAO report, but in July 2011 he did not raise the topic of senior manager severance at all.

5. Conclusions

5.1 I believe that the email and documentary records support my contention that I took all reasonable steps to ensure that the BBC Trust was properly informed in advance about the proposed redundancy settlements with Mark Byford and Sharon Baylay:

- There is clear evidence that, in the month of September 2010, the Chairman of the Trust and Trust officials were closely involved in the debate about the different options available with the Chairman feeling able to express 'sympathy' for one of the options.
- There is also evidence that, despite claiming initially to the NAO that he was unaware of any conversations between me and the Trust on this redundancies, the head of the Trust Unit was in fact involved in the drafting of the 7 Oct Note and, in particular, offered guidance on how much information about the proposed redundancies should be disclosed to other Trustees.
- The timetable and the urgency of the email traffic between the Trust and various BBC managers supports the view that the Trust wanted to be able to express its view about the proposed settlements before the EBRC was asked to formally approve them.
- The only non-automatic part of the proposed settlement with Mark Byford was the intention to delay the issuing of formal notice and to make a payment in lieu of notice: there is clear evidence that the Trust was aware of both of these points.

The picture painted for the PAC by the BBC Trust witnesses on 10 July 2013 was – in addition to specific untruths and inaccuracies – fundamentally misleading about the extent of Trust knowledge and involvement. The insinuation that they were kept in the dark by me or anyone else is false and is not supported by the evidence.

5.4 The Trust witnesses also implied that, had they known, they would have acted. Instead, the evidence is that they did know and in considerable detail, and yet did nothing. The chronology suggests that the event which changed their attitude to the whole question of senior manager severance was the criticism they themselves received for the settlement that was paid to George Entwistle.

5.5 I believe that by mid-November 2010, the BBC Trust had reached broadly the same conclusion as the EBRC and indeed myself, namely that these undoubtedly difficult severance payments were justifiable in the context of the broader restructuring programme and the large VFM savings which that would achieve.

5.6 Two and a half years later the Trust would take a different view, which of course it is entitled to do. What it is not entitled to do, however, is to re-write history or to withhold relevant information from either the NAO or the PAC. Yet almost none of the information in this submission was volunteered to the NAO when they were compiling their original report. A Trust official who witnessed extensive discussions between me and the Trust, apparently denied all knowledge of them and of the existence of a document which he himself had helped to shape. Lucy Adams claimed not to have seen the same document, even though she was one of its principal authors. During the PAC hearing on 10 July 2013, the BBC Trust witnesses strove repeatedly to play down the significance of the two documents which had emerged at that time, and to make misleading and inaccurate statements, all of which served to minimise and draw attention away from the Trust's own knowledge and involvement. The BBC Trust witnesses failed to mention the warning I had given them about misleading the PAC, or the extent to which they themselves had been briefed about these cases. Nor did they explain, given how much outrage they claimed to feel and how much they actually knew about the cases, why they did nothing about senior management severance until they themselves came under criticism for the payment made to George Entwistle.

5.7 It is clearly a matter of regret that so much of the evidence in this submission, which should have been offered to the NAO and the PAC at once, has only come to light now, and only because I asked the BBC to search for it. In the absence of this evidence, both the original NAO report and the PAC evidence session on 10 July 2013 were based on inadequate, and in some important instances, very misleading testimony. I am glad to have this opportunity to set the record straight.

4 September 2013



NOTE FROM THE DIRECTOR-GENERAL TO THE CHAIRMAN OF THE TRUST

7 OCTOBER 2010

Purpose

1. To provide the Trust with a greater level of detail about the restructuring proposals including:
 - A Value for Money assessment, including the payback period, of the proposed executive restructuring
 - Operations Division
 - Arrangements for who will be acting Director-General when I am abroad, on leave or unavailable
 - How the critical areas of editorial standards, compliance and complaints will be given the joined up senior Executive scrutiny they deserve.
 - Implementation

Value for Money

1. It's probably best to analyse the value for money and the payback period for the proposed Executive Restructuring in two ways. First to examine the costs and pay-back of the redundancy and closure of the two posts (DDG and Dir MC&A) which are being eliminated altogether. Second to examine the ongoing running costs of the new seven Executive Directors compared to the old ten Executive Directors.

The Two Post Closures

2. Most of the proposed changes to the Executive do not involve restructuring costs:

- Dir North and Dir People step down from Executive Board NIL COST
- Dir Vision transfers to a new post in BBC WW NIL COST (and opportunity to re-appoint at lower salary)
- Non-replacement of one retiring non-executive NIL COST

Although COO will take on additional responsibility, their remuneration will remain unchanged.

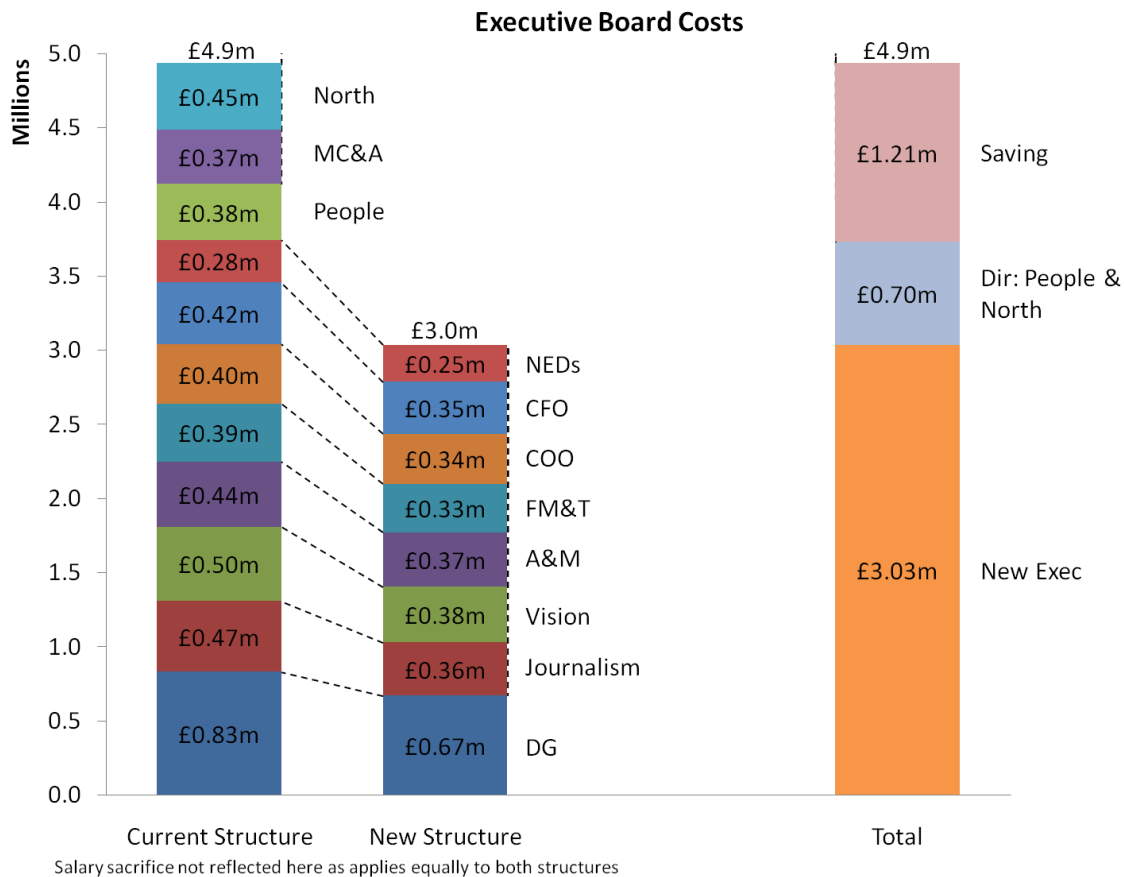
3. Restructuring costs therefore are restricted to the closure of the DDG and MC&A posts. These redundancies will take place on the basis of the terms set out in their contracts and WITHOUT any form of pension augmentation. The total cost of redundancy is £1.4 million (£1,022,077 for the DDG post and £387,500 for Director, MC&A). The post closures will pay for themselves within 16 months. If one includes all additional relevant savings (eg, DDG's car and driver, PAs and other employment and office costs etc.), the post closures will pay for themselves within 12 months. The resulting savings from restructures of the Journalism, News and MC&A Boards that are made possible by the removal of these posts are clearly far more significant.

The New Executive Board

4. We can also compare the expected net costs of the new Executive Board with the old. Assuming that the changes take place at the start of the next financial year, we can compare an estimated outturn of the employment costs of the current exec for the year 2010/11 with a projection for the new board for the year 2011/12. Expected changes include:

- Director News occupying the journalism place on the board at a lower salary than DDG
- A new Director Vision employed at a lower salary than the present one
- One fewer Non-Executive Director, and the loss of Director North, Director MC&A and Director People from the Executive Board
- The ending of pension supplements.

- The sacrifice of one month's pay will be applied equally to both years so is not reflected in the totals.



5. In summary, the two redundancies pay for themselves quickly. In addition, the restructuring of the Executive Board, together with other reforms, leads to a significantly lower run-rate of remuneration costs. The proposed actions will mean that the overall targets for senior management reductions (25% in pay-bill, just under 20% in numbers) will be exceeded at the Executive Board level and delivered well before the deadline.

Total Numbers of Directors

6. One final question is about the total numbers of directors. Director People and Director North are no longer members of Executive Board but remain directors of the BBC – to what extent is a reduction in numbers of directors at Executive Board level being matched by an increase in numbers of directors NOT on the Executive? Again, it's a good story. Over the past

year, we have abolished the role of Director Nations & Regions, saving a post, merged the role of Director World Service with that of Director Global News, saving a second post. I intend shortly to close the post of Creative Director. With the loss of the posts of DDG and Director MC&A, this means that a total of five directors' posts will have gone, again exceeding the 20% overall SM target.

Chief Operating Officer

1. The new structure will see increased responsibilities for the COO. The new structure is necessary for the BBC to meet its SM reduction targets by bringing together roles with similar responsibilities which previously sat in different Divisions. So the restructured Operations Division is an opportunity to exploit synergies and find efficiencies. However, in the organisational design of this restructured Division, very careful consideration needs to be given to the workload and competencies of the COO's Direct Reports and other Divisional SMs. I propose to run a thorough assessment, which will identify optimal Divisional design, and highlight risks and mitigations. I will share my conclusions with the Trust. As with the Executive Board, these changes in Operations will come into effect in April 2011.

Arrangements for Deputising and the Management of Editorial Compliance

1. Currently the COO, as well as the DDG, deputises for me. In future, the COO would be the first choice to deputise for me, as she has successfully done in the past. However, I think there is merit in the Trust seeing the capabilities of other senior Directors on the Executive Board in this acting role. This would be a development opportunity for these individuals, and provide evidence to the Trust when it considers succession planning. So I propose that others – for instance the Director A&M and the incoming Director Vision – should also take up this role from time to time. I would mentor these directors in advance so they would be prepared.

2. Ensuring the highest editorial standards and dealing fairly with complaints are central to maintaining the high levels of audience trust in the BBC. I am determined to ensure that the DDG's departure does not diminish

the Executive scrutiny of these areas. I propose to ask Mark Byford to prepare a report for me, to be delivered by the end of the calendar year, with his detailed proposals of where these critical functions are best dealt with after his departure. There is no one better placed to advise on this and to design a fail safe new system. He will then have a further 4 months to ensure smooth hand over and mentoring for the key individuals who are taking on critical new responsibilities.

Implementation

1. The newspapers are already making enquiries about the proposed restructure and so delay is not a realistic option. We plan to make the announcement of the Deputy Director-General leaving the BBC on Tuesday 12th October and the announcement of the restructure of the Executive Board and the reduction of Executive Directors from ten to seven on Thursday 14th October. As part of that announcement, we will also announce that the Director MC&A will be leaving the BBC. We will be limiting the announcements to changes brought about as a direct result of the restructure of the Executive Board.

-----Original Message-----

From: Jessica Cecil

Sent: 08 October 2010 10:11

To: Nicholas Kroll

Cc: Jo Clarke-DGs Office; Mark Thompson-and-PA

Subject: RE: Note from Mark Thompson to Sir Michael Lyons on restructuring of the Executive Board

Nicholas

Here are answers to your questions.

1. EBRC: Marcus Agius, chair of EBRC, is comfortable with what is proposed and has agreed to this being approved at EBRC next week

2. The EBRC approvals are for maximum payments. From now until the individuals leave the BBC, they will be in consultation with the BBC. They will only get their formal and final letters confirming their redundancy arrangements when they are served with notice - in both cases, that will be in calendar year 2011. So it is not yet possible to say when we would go public with these payments.

-----Original Message-----

From: Nicholas Kroll

Sent: 08 October 2010 08:25

To: Jessica Cecil

Cc: Jo Clarke-DGs Office; Mark Thompson-and-PA; Jessica Cecil's Assistant (Veena); Phil Harrold; June Prunty

Subject: RE: Note from Mark Thompson to Sir Michael Lyons on restructuring of the Executive Board

Now having read, there are two points not covered. First, can you confirm EBRC content with restructure and associated payments to individuals concerned? Second, when would you expect to go public with those payments?

Grateful for answer asap, since I'll include it in what I put to the Chairman.

-----Original Message-----

From: Nicholas Kroll

Sent: 07 October 2010 18:50

To: Jessica Cecil

Cc: Jo Clarke-DGs Office; Mark Thompson-and-PA

Subject: RE: Note from Mark Thompson to Sir Michael Lyons on restructuring of the Executive Board

Thanks. Shall forward to Sir ML, with the expectation that he'll want to talk to DG.

What is your thinking about the timing of a call pl - are you in touch with June separately about that?

-----Original Message-----

From: Jessica Cecil

Sent: Thu 10/7/2010 6:34 PM

To: Nicholas Kroll

Cc: Jo Clarke-DGs Office; Jessica Cecil; Mark Thompson-and-PA

Subject: Note from Mark Thompson to Sir Michael Lyons on restructuring of the Executive Board

Nicholas

Please find the note from Mark to Sir Michael as discussed.

Many thanks

Jessica

<<Trustrestructuring.doc>>

Confidential

Dear Nicholas,

I think you know that I've been asked a few questions by the NAO for their senior managers severance report, one of which was about whether there was any documentary evidence of the discussions I recall having with Sir Michael (SML) about the severance proposals for Mark Byford (MB) and Sharon Bayley (SB).

Catherine Smadja and the DG's office have done a trawl and sent me some documents. I will ask her to make sure you see them and can share them with SML if you have not already done so.

There are two documents I want to refer to in this letter, the 'Note from the Director-General to the Chairman of the Trust' dated 7 Oct 2010 and sent to you at 18.35 on that day. I shall call this the 7 Oct Note and it will be my main focus. The second document is an email chain with emails between you and Jessica Cecil on the evening of the 7th and the following morning. I shall call this the Email Chain and I will refer to it a few times.

The 7 Oct Note

1. I recall that the note was drafted at the request of SML. I cannot recall who originally drafted it (Lucy Adams must have been involved) but I do remember amending and rewriting some of it myself. I also believe I was asked to write it in such a way that it could be shown to other Trustees if necessary and I think the tone and the drafting reflects this. I do not know if other Trustees saw it or not.
2. The note was sent to you and SML four days before the EBRC met on 11th October to consider the two senior management redundancy cases which arose from the restructuring proposals.
3. In the Value for Money section, the note clearly sets out the then estimate for the costs of the redundancies of MB and SB (GBP 1,022,077 and GBP 387,500 respectively). In fact, I believe the eventually outturn was slightly lower in the first case and slightly higher in the second. You will also note that Jessica's email to you (in the Email Chain) sent on 8 October at 10.11 sets out the fact that in both cases the serving of notice would be delayed into the following year.
4. The 7 Oct Note demonstrates clearly and beyond doubt that I had communicated to SML and to you the headline terms of the two redundancy cases some days in advance of seeking and receiving formal approval for them from the EBRC. As one of Jessica's emails in the Email Chain makes clear, it was also long before the final settlement was reached with the individuals involved. Had anyone at the Trust been unhappy with the proposals or the figures, they could have raised a concern or intervened.
5. Nor is it credible that this was the only communication between us on the topic. If it was, then one would have to believe that both SML and you read a document which included a

proposed redundancy package of more than a million pounds for one individual, never having heard such a figure discussed it before, yet let it pass without comment or action.

6. In fact, it is my clear recollection that there were a number of conversations between SML and myself about the negotiations and proposed terms of both these settlements and that conversations took place both before and after the 7 Oct Note was sent. You will see that one of your emails in the Email Chain refers to setting up a call between SML and myself, presumably so that he could share with me his reactions to the Note.

7. I would also direct your attention to paragraph 3 in the Value for Money section of the 7 Oct Note. You will see that I have capitalized the word 'without' in the phrase 'WITHOUT any form of pension augmentation'. As I recall, this is because SML had been particularly exercised about the question of whether, in the case of MB, part of the settlement might include some pension augmentation or reduced discounting of his pension on early retirement. MB had raised this in his negotiations with Lucy Adams, but SML felt – rightly in my view – that we should not concede any ground on this point. I concurred and capitalized the word 'without' to confirm that I had taken this point fully on board. I also have a clear recollection (though I accept this is not reflected in the 7 Oct Note) of discussing the issue of SB's pregnancy and expected (paid for) maternity leave with SML in the days before the 7 Oct Note was sent.

8. Perhaps it would be useful at this point to give you a view of what I believed happened and, in particular, the role of SML and the Trust Unit in the process of reaching a settlement in these two cases. First, it is common ground between us that the authority for formal approval of the cases rested with the EBRC: this was my view at the time and it remains so to this day. However, it is also the case that throughout this period SML and, I believe, other Trustees were extremely focused on every aspect of executive compensation and specifically it is my recollection that SML wanted to be consulted in some detail about the proposed settlement in both these cases, but particularly about MB because it was known that, given his very long service, the numbers were likely to be large and therefore reputationally difficult. The EBRC meanwhile were very anxious not to be second-guessed by the Trust on the topic and in the days leading up to the EBRC meeting on 11 Oct, I was faced with a chicken-and-egg issue: I had decided to try to pre-clear the settlements with SML so that they could be brought to the EBRC with the prior knowledge that they would be acceptable to SML (and by extension the Trust), but as it turned out, one of the issues that both SML and the Trust unit wanted to be satisfied about before giving clearance was that the terms would be acceptable to the EBRC. Judging from Jessica's 8th October 10.11 email, it looks as if either she, Lucy or I contacted Marcus Agius informally to make sure he was 'comfortable with what is proposed', and that this was then conveyed back to you. I think I spoke to SML on the phone later that day. Certainly by the 11th October (which was the following Monday), I was sure that the packages were acceptable to SML and told the EBRC as much, though I believe it was still clear to them that the formal approval was their responsibility.

9. It is worth adding that, from first to last, I believe that SML's and the Trust Unit's involvement was entirely focused on getting the right result for the licence-payer and for the BBC as an institution, with a particular focus on VFM. I believe one of the main motives for asking me to send the 7 Oct Note was to test the VFM arguments – which are strong in my view – and also to have a record of the arguments in case such a record was necessary or useful in the future. I think we all believed (I include the EBRC and main Executive Board in this) that the restructuring was the right thing to do and would yield major financial and

other benefits for the BBC. We also all recognized the reputational risks around these substantial redundancy settlements (which were necessary if the wider restructuring was to take place). We were all working to mitigate those risks as best we could.

10. However, and in direct relation to the NAO enquiry, it is also quite clear that, although formal approval rested with the EBRC, SML and the Trust Unit were well aware of what was being proposed and were closely involved in the choreography that led up to the EBRC meeting on the 11th. No reasonable person could look at the 7 Oct Note and conclude that there was no kind of formal process between the BBC and the Trust on a set of issues which explicitly includes 'The Two Post Closures'.

Next steps

I'm open to a discussion on what the right next steps should be. The NAO have asked whether I was aware of any documents relating to my contacts with SML, but it seems to me that the issue of the disclosure of these or any other documents should, at least in the first instance, be a matter for the BBC and the BBC Trust.

What I'm not going to put up with, however, is the false suggestion that I made no attempt to ensure that the Trust knew about and had a chance to influence and satisfy itself about the proposed settlements before they were concluded. The record shows otherwise and, if I am forced to, I will use the record to substantiate the point.

I can be emailed at []. Catherine S. has my phone numbers too.

All the best,

Mark T

Confidential

11 June 2013

Dear Mark

Thank you for your note over the weekend. As agreed, I have now shown Sir Michael Lyons a copy of your note alongside the original documentation from October last year, and this response reflects his comments.

First, we can reassure you that the Trust is not seeking to take the position that it was unaware of your plans for reshaping the Executive Board. You had briefed Trustees about this over dinner in September 2010, and your note of 7 October 2010 – which we shared with the full Trust – followed up issues raised then. Clearly as part of this process Trustees were aware of headline figures and payback for severance payments for Mark Byford and Sharon Baylay.

Sir Michael wants me to underline that this process of sharing information with the Trust did not cut across the EBRC's responsibility for approving the restructure and associated payments to individuals concerned. Hence, for example, my email of 8 October 2010 to Jessica Cecil, in which I asked for confirmation that the EBRC were content with the restructure and associated payments to the individuals concerned. As part of this and in line with Charter responsibilities, the Trust was relying on the EBRC to undertake all necessary scrutiny as to approval and implementation – in line, of course, with the Executive's responsibility for all staff remuneration matters.

We are now going back to the NAO to confirm that the Trust was informed of the costs in headline terms and of payback periods, and we will share the note you provided to the Trust at the time. In doing so, we will put this in the context of the respective responsibilities of the Trust and Executive Board as outlined above.

All the best,

Nicholas

From: Thompson, Mark J.
Sent: 14 June 2013 17:33
To: GRAY, Peter
Cc: 'Catherine Smadja'
Subject: RE: Note from Mark Thompson re Senior Managers Severance report

Dear Peter,

Thank you for that. I propose to reply directly in this email – if you need a pdf of a letter for your records, we can easily provide one.

The new wording is nearly accurate, but not quite. It is right to say that the BBC Trust does not have a FORMAL role in the approval process. However, the Chairman and the Trust Unit (which I, like you, will describe from now on as the Trust) did want to know in advance about likely terms and to be able to input their view before anything was formally approved. It was in effect a pre-clearance by the Trust before the cases were presented to the Executive Board RemCo. The purpose of the 7th Oct note was to confirm what had been discussed, to give a VFM context which might be useful for other members of the Trust to see, and crucially to give the Trust an opportunity to raise any issues or concerns before the Executive Board RemCo considered formal approval. In other words it is not true to say that the note was only for information. It would be more accurate to say that the purpose of the note was to inform the Trust of what was planned and to give it the opportunity to raise any questions or concerns before the cases were presented for formal approval.

I hope this is useful,

All the best,

Mark

July 9, 2013
From: Anthony Fry
to Mark Thompson

Mark

Many thanks for your note and hope all is well with you in New York. Your email provided helpful background for the PAC tomorrow for which I am most grateful

I think that we are content that the NAO has characterised the Trust's involvement in these payments correctly – that in these two instances, the Trust was kept informed of redundancy plans, including proposed severance payments, but had no decision-making role as we all acknowledge

I look forward to catching up when I am next in town

Kind regards

Anthony

Sent: Tuesday, July 09, 2013 04:39 AM
To: Anthony Fry
Subject: Email from Mark Thompson

Dear Anthony,

I hope life (and the BBC!) is treating you well and that you will look me up the next time you are in New York.

There is one point I wanted to make before your session with the PAC on severance payments. It concerns the severance of the two Executive Directors, Mark Byford and Sharon Bailey, and the role of the Trust itself. These redundancies took place, as you will remember, in the context of a pretty major restructuring which yielded substantial net savings, not just through the direct savings of their salaries but the closure of two headquarters and wider savings in their respective areas (the same was true in the case of Pat Loughrey and the collapsing of N&R). But they were very senior departures and likely to be high profile. I therefore, with Lucy Adams, briefed the then Chair, Sir Michael Lyons, in some detail before the negotiations with Mark and Sharon were complete and gave him a chance to express any comments or concerns he had before they were finalized and formally put to the Executive Rem Co.

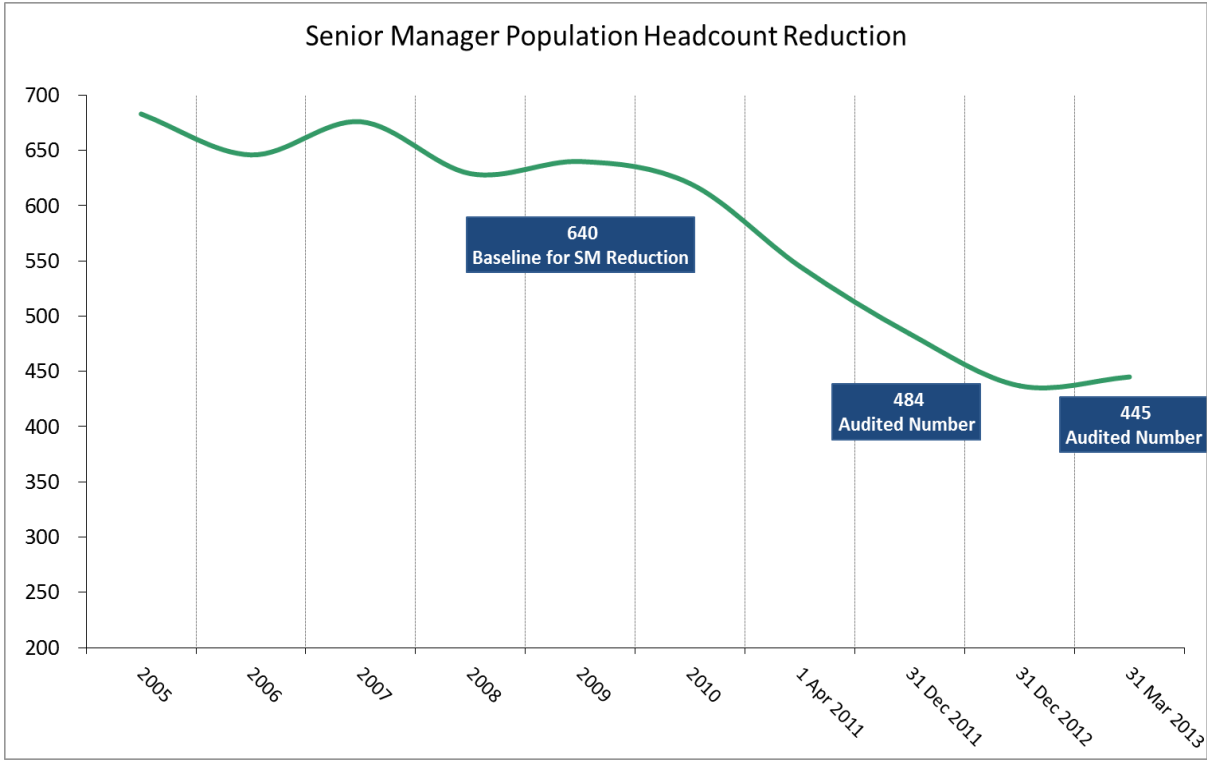
SML did have quite firm views - he was particularly concerned for instance that there should be no pension augmentation in the case of MB, a view with which I concurred - and we finalized our negotiating position in the light of his input. He also asked me to provide a VFM case which I believe he wanted to share with other Trustees, though I do not know whether he actually did this. I duly provided a document - it is the 'DG's Note to the Chairman of the Trust' dated 7 October 2010 and Catherine Smadja can give you a copy of it. You will see that it sets out the total payouts which were then envisaged in the two cases and puts them in a wider VFM context. The email traffic in the 24 hour period after the note was sent also demonstrates that the Trust Unit were aware that it was planned that the notice period in each case would only begin some months later. I believe that SML and I had a further conversation and, a few days later, the cases were presented to the ERM. The point is that, although the ERM had formal authority to reject or approve the cases, SML on behalf of the Trust had wanted the opportunity to understand and input into the cases before the ERM considered them. I thought this was reasonable and indeed believe that SML's input was valuable and was offered by him in the best interests of both license-payer and institution.

My point, however, is that there is very clear evidence that the Trust (certainly SML and the Trust Unit) were well aware in advance of the character of these two severance packages and were given an explicit opportunity to intervene if they wanted to. I would not have submitted these cases to the ERM had I not believed they were acceptable to the Trust. I have no desire or motive to pick a fight with anyone about any of this, and I accept of course that formal approval rested with the ERM, but I just wanted to emphasize to you that it would be wrong to suggest that the Trust were uninvolved in the decision-making process in these two cases.

I hope that is useful. On a different topic, I wrote to Margaret Hodge after the last hearing to make it clear that I did not knowingly mislead the PAC in my evidence back in February 2011 and that I would of course help the PWC and NAO enquiries into DMI in any way I could. I may write a second more detailed letter to her on this point and, if I do, I will certainly copy you in on it.

With all best wishes,

Mark T



SUMMARY TIMETABLE OF EVENTS (as at 24 July 2013)

Date	Activity
Late August / Early September 2010	Discussions within the BBC regarding possible close of the post of Deputy Director-General (DDG) <ul style="list-style-type: none">- Then Director-General, Mark Thompson (MT), informed the then Chairman, Sir Michael Lyons (SML), about the potential to close the post of DDG as part of routine conversations.
17 September 2010	‘Project Silver’ options note provided to SML <ul style="list-style-type: none">- Options note from MT to SML (via the Trust Unit). Note considering options states that MT favours “alternative route” and intends to discuss with Byford.
21 September 2010	SML phone conversation with MT <ul style="list-style-type: none">- Email traffic indicates that ‘Project Silver’ options note was discussed. TU records indicate SML “sympathetic to alternative route” but wants to ensure that Marcus Agius is across the options; this is communicated to the DG’s office.- There is no evidence that ‘Project Silver’ options note is ever provided to other Trustees.
22 September 2010	SML and MT routine <ul style="list-style-type: none">- Discussed Exec Board restructure (positions/posts) although no indication of what specific issues were covered.
~ 28 September 2010	<i>Possible hypothesis: ‘alternative approach’ had fallen away</i> <ul style="list-style-type: none">- <i>We believe that by this stage, the ‘alternative approach’ was found not to be viable (for legal reasons, and unacceptable to MB) and that other options were being pursued.</i>
29 September 2010	Trust conference in Caversham (29 th and 30 th) <ul style="list-style-type: none">- MT joins Trustees for dinner discussion on restructuring Executive Board (ahead of formal paper being considered the following day). Anthony Fry not at dinner as was attending funeral. Discussion focused on restructuring of the board positions and allocation of responsibilities.- Dinner includes reference to DDG role being made redundant. Trust has checked with current Trustees then present, with SML and with Rotha Johnston (then Chair of the Trust Finance Cttee).- Trustees other than SML, who was already aware, recall that this was the first that they had been advised of MT’s decision to make the post of DDG redundant. None recollects reference to costs or detail of package for MB (or SB).
30 September 2010	Trust conference continues <ul style="list-style-type: none">- Trustees approve Executive Board Reduction paper at meeting. Paper focuses on Trust areas of responsibility: respective numbers of executive directors and non-executive directors.
6 October 2010	BBC (Lucy Adams) writes to Mark Byford (MB) to say that he is

	<p>at risk of redundancy</p> <ul style="list-style-type: none"> - Letter to MB sets out the terms of potential redundancy including: consultation period, proposed leaving date, possible PILON, accrued leave, and redundancy arrangements.
7 October 2010	<p>Follow-up note from MT to SML addressing issues from Trust dinner</p> <ul style="list-style-type: none"> - Primary focus of the note is the impact of restructuring executive directors' roles on responsibilities across the BBC. Note from MT includes headline costs and payback period for MB and SB redundancies. - Note states: "These redundancies will take place on the basis of the terms set out in their contracts and WITHOUT any form of pension augmentation." There is no reference to PILON or notice periods.
8 October 2010	<p>Nicholas Kroll email exchange with Jessica Cecil</p> <ul style="list-style-type: none"> - Email includes NK seeking confirmation that Exec Board Remco content with payments as outlined in 7 October note - Jessica Cecil responds to say that EBRC approvals are for the "maximum payments" and, in response to query about publication of costs, that notice will not be formally served until calendar year 2011
10 October 2010	<p>7 October note provided to all Trustees</p> <ul style="list-style-type: none"> - Note provided by Trust Unit for info, along with a commentary from SML following a discussion with MT that morning. SML states that he sought and received confirmation that NEDs signed up to costs of redundancies
11 October 2011	<p>Executive Board Remuneration Committee meets</p> <ul style="list-style-type: none"> - EBRC approves recommendation to consult on redundancy after notice periods, and approves limit to costs ("a maximum redundancy payment of £1,336,500") related to closing MB and SB posts.
12 October 2010	<p>BBC announces that Mark Byford's post will close</p> <ul style="list-style-type: none"> - MB note to all staff states that departure will be "in a few months' time".
13 October 2010	<p>BBC announces other restructure of Executive Board</p> <ul style="list-style-type: none"> - Announcement include the closing of SB's post

Other events happening during this period:

- 14 September 2010 – SML announces that he will stand down as Chairman when term ends
- 16 September 2010 – Trust offers to freeze licence fee for remainder of licence fee period

- 22 September 2010 – new arrangements regarding NAO access to the BBC announced by the Govt
- 11 October 2010 – MT co-signs letter calling for Vince Cable to block Murdoch acquisition of remainder of BSkyB (this followed US TV interview in which he stated similar)
- 12 - 20 October 2010 – licence fee settlement negotiations (in conjunction with Government spending review), completing on 20 October

----- Original Message -----

From: Jessica Cecil

To: Lucy Adams-Director BBC People

Sent: Wed Oct 06 20:58:39 2010

Subject:

Lucy

We have this back from Nicholas Kroll:

In note 2, I think it would be better at para 3 to be more transparent about the restructuring costs: give separate sums for DDG and MCA post closures, and identify payback periods without the unconventional add-ons such as associated savings from cars etc in brackets.

As to handling, I would advise the Chairman that it is enough just to update other Trustees rather than go through any RAC process. Note however that the Chairman is keen to be assured that EBRC have signed off the proposals and associated costs.

Lucy -

could you get us the costs broken down as requested and I will check with Mark Could you also advise - do these need to go to EBRC?

Thanks

Jess

.

From: Lucy Adams-Director BBC People
Sent: 07 October 2010 08:41
To: Jessica Cecil; Chris Waiting
Subject: Fwd: Structure

Jess

I think this new version addresses NK's points.

Let me know if you need anything further. This currently includes an uplift for Helen B which I suggest we leave in as is. If we don't increase her salary then it's upside but it gives us a bit of room for manoeuvre.

Lucy

Sent from my iPad

Begin forwarded message:

From: Lucy Adams
Date: 7 October 2010 08:34:29 GMT+01:00
To: lucy.adams@bbc.co.uk
Subject: Fwd: Structure

STARTS

It's probably best to analyse the value for money and the payback period for the proposed Exec Restructuring in two ways. First to examine the costs and pay-back of the redundancy and closure of the two posts (DDG and Dir MCA) which are being eliminated altogether. Second to examine the ongoing running costs of the new 7 person Exec compared to the old 10 person Exec.

The two post closures

Most of the proposed changes to the Exec do not involve restructuring costs:

Dir North and Dir People step down from Exec NIL COST

Dir Vision transfers to a new post in BBC WW NIL COST (and opportunity to re-appoint at lower salary)

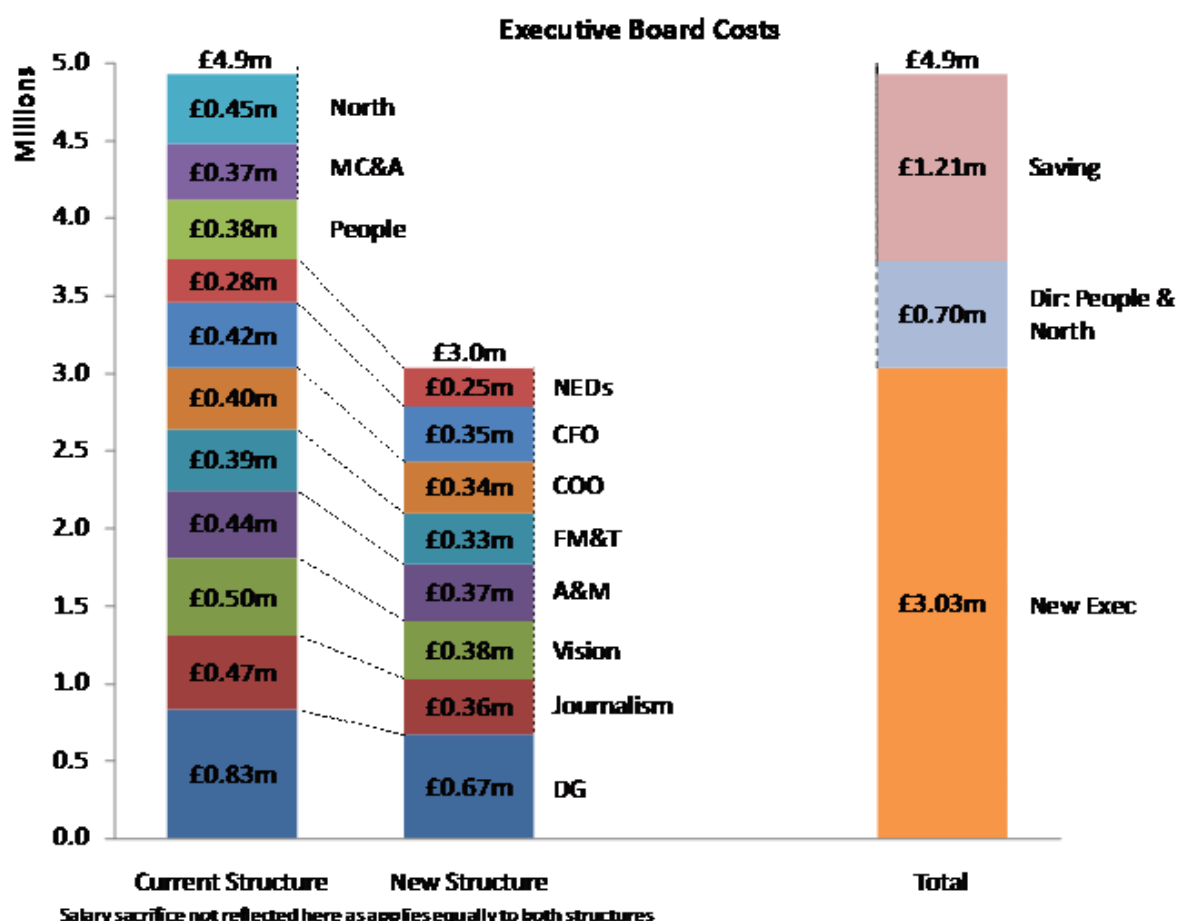
Non-replacement of one retiring non-exec NIL COST

Although COO will take on additional responsibility, their remuneration will remain unchanged.

Restructuring costs therefore are restricted to the closure of the DDG and MCA posts. These redundancies will take place on the basis of the terms set out in their contracts and WITHOUT any form of pension augmentation. The total cost of redundancy is £1.4 million (£1,022,077 for the DDG post and £387,500 for Director, MCA). The post closures will pay for themselves within 16 months. If one includes all additional relevant savings (eg, DDG's car and driver, PAs and other employment and office costs etc.), the post closures will pay for themselves within 12 months. The resulting savings from re-structures of the Journalism, News and MCA Boards that are made possible by the removal of these posts are clearly far more significant.

The new Exec Board

We can also compare the expected net costs of the new Exec Board with the old. Assuming that the changes take place at the start of the next financial year, we can compare an estimated outturn of the employment costs of the current exec for the year 2010/11 with a projection for the new board for the year 2011/12. Expected changes include i.) Dir News occupying the journalism place on the board at a lower salary than DDG, ii.) a new Dir Vision employed at a lower salary than the present one, iii.) one fewer non-exec, and the loss of North, MCA and People from the board, iv.) the ending of pension supplements. The sacrifice of one month's pay will be applied equally to both years so is not reflected in the totals.



In summary, the two redundancies pay for themselves quickly. In addition, the restructuring of the Exec Board, together with other reforms, leads to a significantly lower run-rate of remuneration costs. The proposed actions will mean that the overall targets for senior management reductions (25% in

pay-bill, just under 20% in numbers) will be exceeded at the Exec Board level and delivered well before the deadline.

Total numbers of directors

One final question is about the total numbers of directors. Dir People and Dir North are no longer members of Exec Board but remain directors of the BBC - to what extent is a reduction in numbers of directors at Exec Board level being matched by an increase in numbers of directors NOT on the Exec? Again, it's a good story. Over the past year, we have abolished the role of Dir Nations & Regions, saving a post, merged the role of Dir World Service with that of Dir Global News, saving a second post. I intend shortly to close the post of Creative Director. With the loss of the posts of DDG and Dir MCA, this means that a total five directors' posts will have gone, again exceeding the 20% overall SM target.

ENDS

Begin forwarded message:

From: "Lucy Adams-Director BBC People" <Lucy.Adams@bbc.co.uk>
Date: 7 October 2010 08:11:50 GMT+01:00
To: "Lucy Adams"
Subject: Fwd: Structure

Sent from my iPad

Begin forwarded message:

From: "Chris Waiting" <Chris.Waiting@bbc.co.uk>
Date: 7 October 2010 07:43:24 GMT+01:00
To: "Lucy Adams" <Lucy.Adams@bbc.co.uk>
Subject: Fwd: Structure

Here you go. Shout if there's anything else

Sent from my iPhone

Begin forwarded message:

From: "Chris Waiting" <Chris.Waiting@bbc.co.uk>
Date: 5 October 2010 19:02:28 GMT+01:00
To: Jessica.Cecil@bbc.co.uk, "Lucy Adams-Director BBC People"

<Lucy.Adams@bbc.co.uk>

Subject: RE: Structure

As discussed – let me know if you have any comments

-----Original Message-----

From: Jessica Cecil

Sent: 05 October 2010 18:07

To: Chris Waiting

Subject: FW: Structure

here it is

-----Original Message-----

STARTS

It's probably best to analyse the value for money and the payback period for the proposed Exec Restructuring in two ways. First to examine the costs and pay-back of the redundancy and closure of the two posts (DDG and Dir MCA) which are being eliminated altogether. Second to examine the ongoing running costs of the new 7 person Exec compared to the old 10 person Exec.

The two post closures

Most of the proposed changes to the Exec do not involve restructuring costs:

Dir North and Dir People step down from Exec NIL COST

Dir Vision transfers to a new post in BBC WW NIL COST (and opportunity to re-appoint at lower salary)

Non-replacement of one retiring non-exec NIL COST

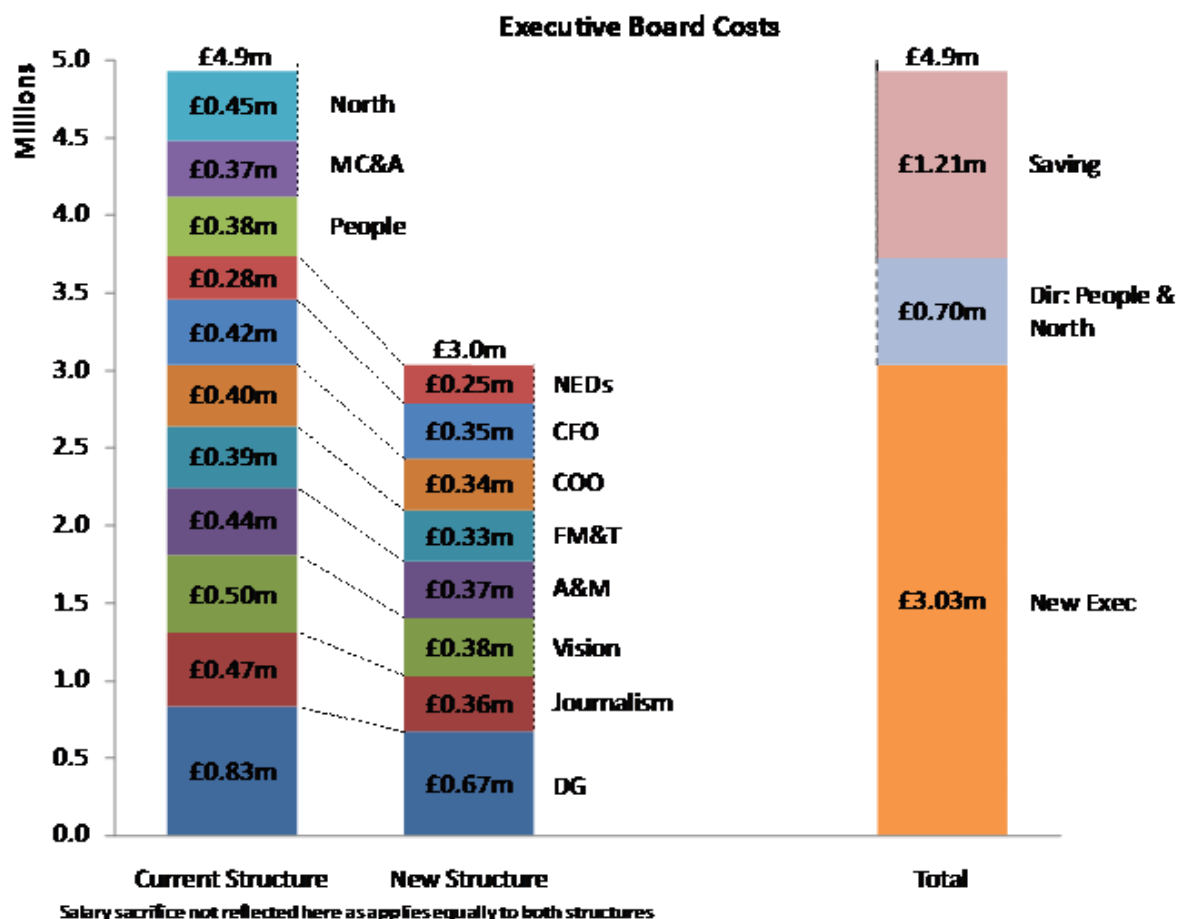
Although COO will take on additional responsibility, their remuneration will remain unchanged.

Restructuring costs therefore are restricted to the closure of the DDG and MCA posts. These redundancies will take place on the basis of the terms set out in their contracts and WITHOUT any form of pension augmentation. The total cost of redundancy is estimated to be £1.4 million. Including all additional relevant savings (eg, DDG's car and driver, PAs and other employment and office costs etc.), the post closures will pay for themselves within 12 months.

The new Exec Board

We can also compare the expected net costs of the new Exec Board with the old. Assuming that the changes take place at the start of the next financial year, we can compare an estimated outturn of the

employment costs of the current exec for the year 2010/11 with a projection for the new board for the year 2011/12. Expected changes include i.) Dir News occupying the journalism place on the board at a lower salary than DDG, ii.) a new Dir Vision employed at a lower salary than the present one, iii.) one fewer non-exec, and the loss of North, MCA and People from the board, iv.) the ending of pension supplements. The sacrifice of one month's pay will be applied equally to both years so is not reflected in the totals.



In summary, the two redundancies pay for themselves quickly. In addition, the restructuring of the Exec Board, together with other reforms, leads to a significantly lower run-rate of remuneration costs. The proposed actions will mean that the overall targets for senior management reductions (25% in pay-bill, just under 20% in numbers) will be exceeded at the Exec Board level and delivered well before the deadline.

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Regions, saving a post, merged the role of Dir World Service with that of Dir Global News, saving a second post. I intend shortly to close the post of Creative Director. With the loss of the posts of DDG and Dir MCA, this means that a total five directors' posts will have gone, again exceeding the 20% overall SM target.

ENDS

From: Lucy Adams-Director BBC People
Sent: 07 October 2010 12:23
To: Jessica Cecil
Subject: Marcus

Spoke to Marcus. He would like to sign off next week's proposals at EBRC. He would also like to understand how we are going to be announcing this and in particular wants to understand how we are planning to communicate re MB and support him during next week.

I suggest we do a version of the Trust note and attach the draft announcement. He has also said he would like to see Q&As – I have said we may have to table these on the day given time constraints.

Lucy

Lucy Adams
Director, BBC People
British Broadcasting Corporation
Room 2532 White City
201 Wood Lane
London W127TS

From: Lucy Adams-Director BBC People
Sent: 07 October 2010 15:53
To: Jessica Cecil
Cc: Veena Radia
Subject: RE:

Yes they work for me

From: Jessica Cecil
Sent: 07 October 2010 15:48
To: Lucy Adams-Director BBC People
Cc: Veena Radia
Subject: FW:
Importance: High

Lucy
 Trust have asked for changes.
 See paragraphs A), B) and C) below.
 Could you read and give me an urgent assessment of whether they work for you, as I hope to sign off with Mark and send to the Trust in the next hour or so.
 Thanks
 Jess

From: Jessica Cecil
Sent: 07 October 2010 15:25
To: Ed Williams; Mark Thompson-DG;
Cc: Jo Clarke-DGs Office
Subject:

Proposed new wording:

A). The new paragraph on savings

Restructuring costs therefore are restricted to the closure of the DDG and MCA posts. These redundancies will take place on the basis of the terms set out in their contracts and WITHOUT any form of pension augmentation. The total cost of redundancy is £1.4 million (£1,022,077 for the DDG post and £387,500 for Director, MCA). The post closures will pay for themselves within 16 months. If one includes all additional relevant savings (eg, DDG's car and driver, PAs and other employment and office costs etc.), the post closures will pay for themselves within 12 months. The resulting savings from restructures of the Journalism, News and MCA Boards that are made possible by the removal of these posts are clearly far more significant.

B) New para on COO

The new structure will see increased responsibilities for the COO. The new structure is necessary for the BBC to meet its SM reduction targets by bringing together roles with similar responsibilities which previously sat in different Divisions. So the restructured Operations Division is an opportunity to exploit synergies and find efficiencies. However, in the organisational design of this restructured Division, very careful consideration needs to be given to the workload and competencies of the COO's Direct Reports and other Divisional SMs. I propose to run a thorough assessment, which will identify optimal Divisional design, and highlight risks and mitigations. I will share my conclusions with the Trust. As with the Executive Board, these changes in Operations will come into effect in April 2011.

C) New para on implementation

The newspapers are already making enquiries about the proposed restructure and so delay is not a realistic option. We plan to make the announcement of the Deputy Director-General leaving the BBC on Tuesday 12th October, and the announcement of the restructure of the Executive Board and the reduction of Executive Directors from 10 to 7 on Thursday 14th October. As part of that announcement, we will also announce that the Director of MC&A will be leaving the BBC. We will be limiting the announcements to changes brought about as a direct result of the restructure of the Executive Board.

Q&As

1. What is being announced today?

The DG has announced that he is closing the post of X. X will leave the Executive Board at the end of March and the BBC at the end of June.

We're marking today the extraordinary contribution and service X has given to the BBC over 33 years. His achievements across many parts of the BBC, including journalism, national and regional programming, the BBC World Service and most recently the establishment of the BBC Academy are outstanding.

As acting DG following the Hutton Inquiry, he stabilised the BBC in an extremely turbulent period, and the BBC will always remain deeply grateful for the role he played at this moment in its history.

2. What is this all part of, why this decision?

This is the beginning of a series of announcements following Mark Thompson's MacTaggart speech in Edinburgh.

In our recent strategy review, we said we would focus on quality programmes in five key areas (best journalism in the world, outstanding children's content, ambitious drama and comedy, events that bring the nation together, inspiring knowledge, music and culture) – and we would cut the running costs of the BBC, from 12p in the pound to 10p in the pound .

The DG also announced that this would start at the top, with the Executive Directors.

And we would cut the number of senior managers in the BBC – a 25 per cent cut by 2011.

This is one of series of announcements about streamlining BBC management that will happen over the coming weeks.

3. Will he be going immediately or will he be working his notice period?

X will leave the Executive Board at the end of March and the BBC at the end of June. Mark Thompson has asked X to make recommendations on how his many responsibilities should be carried forward after his departure and there will be a significant handover period.

4. In terms of the closing post, what are the terms and conditions?

The terms of X departure have not been finally agreed however X would not be offered terms which exceed those which apply to all staff (1 months pay for every year served)

5. Will the post be replaced?

No – the post is closing

6. What happens next for the journalism group?

The DG has announced that he is closing the post of X. X will leave the Executive Board at the end of March and the BBC at the end of June. The DG has asked X to make recommendations on how his many responsibilities should be carried forward after his departure, and this work will begin in the next few weeks.

The closure of X post will mean that there is potential for a number of post closures in X's support team. We recognise that this will be a time of uncertainty for the staff and we will move as quickly as possible to resolve their positions.

7. What does it mean for Nations?

The Directors of each of the Nations will report directly to the DG from April 2011.

Are any other divisions going to be impacted?

Mark Thompson said in his MacTaggart speech to expect further radical change to the shape of the organisation: simpler structures, fewer layers, fewer management boards and a commitment to reduce senior manager numbers by 20% by the end of 2011.

This is one of series of announcements about streamlining BBC management that will happen over the coming weeks. (As per my comment in key messages)

Journalism remains at the heart of the BBC's mission and it is important that the News and World Service divisions have a voice in top decision making – we will announce how journalism will be represented on the Executive Board very soon.

8. Who deputises for the Director General?

As at present, Caroline Thomson along with other senior executive members will deputise as they have been doing for some time.

9. What happens to X's support office?

We are working through the details of that but clearly part of this process is to achieve simplification and reduce duplication.

We need time to work through the implications of the post closure and this will be completed by the end of the year but it is inevitable that some posts will be closed and as always we will seek to redeploy those affected where possible.

We recognise that this will be a time of uncertainty for the staff and we will move as quickly as possible to resolve their positions.

10. What will X's pension provision be?

When X chooses to draw his pension is a private matter for him – his early departure will mean significant penalties if the pension is drawn early (24%).

11. Will there be any other changes to the Exec Board? Are any other posts closing?

Mark Thompson said in his MacTaggart speech to expect further radical change to the shape of the organisation: simpler structures, fewer layers, fewer management boards and a commitment to reduce senior managers by up to 20 per cent by the end of next year.

12. What happens to X's direct reports?

The DG has asked X to make recommendations on how his many responsibilities should be carried forward after his departure. This work will begin in the next few weeks.

13. Is X simply a sacrificial lamb to try and defuse the widespread discontent across the BBC at senior management?

The announcement about this post closing supports what Mark Thompson said in his MacTaggart lecture in Edinburgh. – That we would cut the running costs of the BBC, from 12p in the pound to 10p in the pound.

The DG announced that this would start at the top, with the Executive Directors.

And we would cut the number and cost of senior managers in the BBC – a 20 per cent cut by 2011.

This is one of series of announcements about streamlining BBC management that will happen over the coming weeks.

14. Does this mean that the BBC will be appointing a Non-Exec Chairman?

Any changes to the governance of the BBC is a matter for the BBC Trust and they have indicated that this not something that they are looking at.

15. Have these changes been imposed by the BBC Trust after the Chairman's speech at the VLV earlier this summer?

No, the Trust has been made aware of the DGs changes because they involve the governance of the BBC and therefore they have approved them.



Title:	Proposed changes to the Executive Board
Action:	FOR DECISION
Meeting:	11 October 2010

Purpose:

The Director-General has outlined his intention to reduce the number of senior managers within the BBC and to reduce the senior management paybill by 25% by December 2011. Critical to the delivery of these objectives is a demonstrable streamlining of the Executive Board, both to ensure Divisional Directors are provided with leadership from the top but also to enable some of the necessary organisational changes to take place through addressing the top level structure.

It is proposed that the Executive Board is reduced from 10 to 7 Executive Directors. Whilst the Director, North and Director, People will remain within the organisation, it is proposed to make the roles of Deputy Director-General (DDG) and Director, Marketing, Audiences and Communications (MC&A) redundant.

The purpose of this paper is to seek Executive Remuneration Committee approval for the Director-General to consult with the DDG and the Director MC&A on being made redundant from the BBC and to approve a maximum redundancy payment for the two roles.

Recommendation:

The Executive Remuneration Committee is invited to approve:

- The Director-General to consult with the DDG and the Director MC&A on being made redundant from the BBC.
- A maximum redundancy payment of £1,336,500 (£949,000 for Mark Byford, £387,500 for Sharon Baylay), excluding the balance of accrued leave at the date of exit.

	Name	Title
Author:	Lucy Adams	Director, BBC People
Sponsor:	Lucy Adams	Director, BBC People

	Date	Board or Committee
Onward approval path:	n/a	n/a

APPROVAL PATH TO DATE

Board or Cttee	Date	Summary of feedback on paper and resulting amendments
n/a	n/a	n/a

PROPOSED CHANGES TO THE EXECUTIVE BOARD

1. Context

The Director-General has outlined his intention to reduce the number of senior managers within the BBC and to reduce the senior management paybill by 25% by December 2011. Critical to the delivery of these objectives is a demonstrable streamlining of the Executive Board, both to ensure Divisional Directors are provided with leadership from the top but also to enable some of the necessary organisational changes to take place through addressing the top level structure.

It is proposed that the Executive Board is reduced from 10 to 7 Executive Directors. Whilst the Director, North and Director, People will remain within the organisation, it is proposed to make the roles of Deputy Director-General and Director, Marketing, Audiences and Communications redundant.

The purpose of this paper is to seek Executive Remuneration Committee approval for the Director-General to consult with the DDG and the Director MC&A on being made redundant from the BBC and to approve a maximum redundancy payment for the two roles.

1.1 Deputy Director General

Mark Byford has been with the BBC for 33 years. His salary is £474,500. It is proposed that the role of DDG be made redundant from June 30th 2011.

Should the consultation with the Director-General result in redundancy It is proposed to pay Mark Byford his contractual redundancy payment of £474,500, plus the entitlement to his year's contractual notice of £474,500, plus the balance of his accrued leave at the date of exit.

It should be noted that as a result of being made redundant and thereby becoming a deferred pensioner, he would take pension reduced by 24% should he choose to take his pension at 55.

1.2 Director, MC&A

Sharon Baylay joined the BBC in 2009. Her salary is £310,000. It is proposed that the role of Director, MC&A be made redundant from June 1st 2011.

Should the consultation with the Director-General result in redundancy it is proposed to pay Sharon Baylay her contractual redundancy payment of £51,667, plus her year's contractual notice of £310,000 and an additional month's salary to secure a compromise agreement, plus the balance of her accrued leave at the date of exit.

2. Costs of re-structure and payback period

The estimated cost of redundancy for the two roles is approximately £1.35 million. Given this figure, the post closures would pay for themselves within 16 months. If one includes all additional relevant savings (e.g., DDG's car and driver, PAs and other employment and office costs etc.), the post closures would pay for themselves within 12 months. The resulting savings from re-structures of the Journalism, News and MCA Boards that are made possible by the removal of these posts are clearly far more significant.

3. Recommendation

The Executive Remuneration Committee is invited to approve:

- The Director-General to consult with the DDG and the Director MC&A on being made redundant from the BBC.
- A maximum redundancy payment of £1,336,500 (£949,000 for Mark Byford, £387,500 for Sharon Baylay), excluding the balance of accrued leave at the date of exit.

BBC EXECUTIVE REMUNERATION COMMITTEE MINUTES**Monday 11 October 2010****10.30–11.00****Participants:**

Marcus Agius (Chairman)	Senior Non-Executive Director
Robert Webb	Non-Executive Director
Val Gooding	Non-Executive Director
Mark Thompson	Director-General
Lucy Adams	Director, BBC People
Rachel Currie	HR Director for Journalism and Employee Relations
Jo Clarke	Acting Head, Executive Unit
Christina Roski	Business Manager, Executive Unit

Apologies: There were no apologies**Agenda****1. Changes to the Executive Board****RC(10) 15****2. Any other business**

1. CHANGES TO THE EXECUTIVE BOARD RC(10) 15

- 1.1 It was proposed that the Executive Board was reduced from 10 to 7 Executive Directors. Whilst the Director, North and Director, People would remain within the organisation, it was proposed to make the roles of Deputy Director-General (DDG) and Director, Marketing, Audiences and Communications (MC&A) redundant. The purpose of the paper was to seek Executive Remuneration Committee approval for the Director-General to consult with the DDG and the Director, MC&A on being made redundant from the BBC and to approve a maximum redundancy payment for the two roles.
- 1.2 The Committee discussed the proposal. Mark Thompson confirmed the need for the proposed notice period for both positions as time was needed to implement the associated organisational changes.
- 1.3 The Committee approved the following proposals:
 - The Director-General and the Director, MC&A regarding redundancy at the end of their notice periods.
 - A maximum redundancy payment of £1,336,500 (£949,000 for Mark Byford, £387,500 for Sharon Baylay), excluding the balance of accrued leave at the date of exit.

It was also agreed however that a paper proposing the final arrangements would come to the Executive Remuneration Committee on completion of the notice periods.

2. ANY OTHER BUSINESS

2.1 There was no other business.

-----Original Message-----

From: Lucy Adams-Director BBC People
Sent: 06 October 2010 21:13
To: Jessica Cecil
Subject: Re:

Will do on costs although it would be conventional to compare the costs of restructure against salary + on-costs as this is the true comparison.

I'm not sure about this needing to go to EBRC as they are being made redundant and are not receiving anything other than their contractual entitlement. (Except for 25k for Sharon). What did we do for Pat Loughrey's redundancy pay-out?

Could Jo check the terms of ref?

.

----- Original Message -----

From: Jessica Cecil
To: Lucy Adams-Director BBC People
Sent: Wed Oct 06 20:58:39 2010
Subject:

Lucy

We have this back from Nicholas Kroll:

In note 2, I think it would be better at para 3 to be more transparent about the restructuring costs: give separate sums for DDG and MCA post closures, and identify payback periods without the unconventional add-ons such as associated savings from cars etc in brackets.

As to handling, I would advise the Chairman that it is enough just to update other Trustees rather than go through any RAC process. Note however that the Chairman is keen to be assured that EBRC have signed off the proposals and associated costs.

Lucy -

could you get us the costs broken down as requested and I will check with Mark Could you also advise - do these need to go to EBRC?

Thanks

Jess

<http://www.bbc.co.uk>

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British Broadcasting Corporation
180 Great Portland Street
London W1W 5QZ

T. 020 3214 4994
bbc.co.uk/bbctrust

BBC Trust

From the Chairman
The Rt Hon Lord Patten of Barnes CH

John Whittingdale OBE MP
Chairman
Culture, Media and Sport Select Committee
House of Commons
7 Millbank
London
SW1P 3JA

12 November 2012



In view of the widespread public interest in the matter, I am writing to explain the terms that have been agreed for George Entwistle's departure.

On the afternoon of Saturday 10 November, George Entwistle met with the BBC Trust to discuss recent developments linked to the *Newsnight* report of 2 November. The Trustees expressed serious concerns about the way in which this issue was being handled. Later in the day George approached me to ask if suitable terms could be agreed for his resignation.

Under the terms of George's contract the notice period for resignation is 6 months. The notice period for termination by the BBC Trust is 12 months. Both with the right for the Trust to make payments in lieu of notice.

On Saturday evening we undertook discussions with George and his advisers. Those discussions led to a negotiated settlement of the terms for George's resignation.

In agreeing to 12 months' notice rather than 6, we had in mind the following points. In the absence of George's honourable offer to resign, I would have had to speak to the Trustees about the option of termination by us (which, fortunately, was not necessary). In these circumstances, George would have been entitled to 12 months' notice. In circumstances where we needed to conclude matters quickly and required George's ongoing co-operation in a number of very difficult and sensitive matters, including the Inquiries into issues associated with Savile, I concluded that a consensual resignation on these terms was clearly the better route.

cont/...2

John Whittingdale OBE MP

-2-

12 November 2012

I consulted my colleagues on the Trust's Remuneration Committee and took legal advice. Our conclusion was that a settlement on these terms was justified and necessary. The alternative was long drawn-out discussions and continuing uncertainty at a time when the BBC needs all of its focus to be on resolving fundamental issues of trust in BBC journalism.

I am putting this letter in the public domain.

A handwritten signature in blue ink, appearing to read 'Yours faithfully, Patten'.

Lord Patten of Barnes CH
Chairman

ANNUAL REPORT – KEY Q&A

EXEC PAY AND PENSIONS

Why do you pay Executive Directors so much?

- Exec Directors' remuneration is significantly below the equivalent in the market. At the last review, Executive Board pay was discounted on average by 58% against the commercial sector and the average will have increased since due to the Board changes made.
- We have reduced the size of the Exec Board, reduced the pay of new Board members, frozen bonuses and removed pension supplements with effect from 1 April 2011. As a result we have reduced the Board paybill for 2011/2012 by 43% - £2.1m
- New Exec Directors are being paid on average 33% less than their predecessors and on average all Exec Directors now receive 23% less remuneration than a year ago.
- We will also publish the annual multiples of the Exec Board median pay to the overall BBC median pay, currently 9:1 and expected to reduce over time.

You've said you're committed to reducing Executive pay, but it looks like you've spent more this year than last. Why is that?

- Total Exec pay for this year is only higher than last year because of the departure of two Directors – Mark Byford and Sharon Baylay – which will lead to long-term savings
- We have reduced the Board paybill for 2011/2012 by 43% - £2.1m – and on average Exec Directors receive 23% less remuneration than a year ago.
- We will also publish annually the ratio of the BBC median pay to Exec Board, currently 9:1 and expected to reduce over time, along with the DG's pay multiple – 17:1

How can we justify paying Sharon/Mark these sums of money for loss of office?

- These were contractual payments which were essential in order to slim down the Executive Board and the elimination of the posts will provide significant cost savings to the licence fee payer.

Why did Mark Byford/Sharon Baylay's notice periods not begin in October 2010?

- Like the approach many other organisations take with senior people, we took the view that it would be inappropriate to ask Mark and Sharon to work their notice periods. In Mark's case we felt it would be inappropriate for him to continue to serve as Deputy Director General whilst under notice and for Sharon, she would have had to come back from Maternity leave to work out her notice.
- Mark stepped down from the Executive Board on 1st April and continued working for the BBC leading the Royal Wedding programme.

Why did Sharon Baylay receive redundancy payments at all when she did not complete two full years of service?

- As is legally required, Sharon's maternity leave is included in her years of service. Including her maternity leave, Sharon worked for the BBC for more than two years.
- Sharon received payment for her 12 month notice period, a redundancy payment of one month of pay for each of her two years of service and an additional compensation payment equivalent to one month's total gross pay.

Why is Mark Byford's total remuneration up by £908k (186%)?

- Mark Byford's total remuneration includes compensation for loss of office which in turn includes payment for his 12 month notice period and one month of pay for each of his years of service, up to a maximum of 12 months.
- His total remuneration (before compensation for loss of office) is £447k, down £41k (8.4%) on last year. This reflects his month's salary sacrifice.

Why is Sharon Baylay's total remuneration up by £301k (87%)?

- £392k of this is compensation for loss of office. This includes payment for her contractual notice period and one month's pay for each year of service plus an additional payment of one month's total gross pay.
- Her total remuneration (before compensation for loss of office) is £254k, down £91k (26%). This is due to the fact that she stepped down from the Executive Board on 30 November and therefore her base pay only covers 8 months.

Written evidence from Lucy Adams, BBC

Ahead of my appearance in front of the Public Accounts Committee on Monday 9th September, I wished to clarify to the Committee part of the evidence that I gave during the Committee hearing on the 10th July.

During the 10th July hearing, the Chair referred to a memo of 7th October 2010. At the time, I was not clear which document the Chair was referring to and so I could not recollect with absolute certainty whether or not I had seen the memo sent by Mark Thompson to the then Chairman on 7th October 2010. Since the hearing, I am now clear which document was being referred to and I can confirm that I was involved in drafting that memo, although I had not seen the final note sent to the Trust until recently.

As has been widely reported, I announced on Thursday 29th August that I have decided to leave the BBC at the end of the 2013/14 financial year. I have been discussing my decision to leave the BBC with the Director General Tony Hall for some time now. By next spring I will have been at the BBC for five years and it feels like the right time to do something new.

I look forward to the opportunity to give further evidence to the Public Accounts Committee on 9th September.

Director of HR

2 September 2013

Supplementary written evidence from Andrew Scadding, BBC

KPMG Report into Senior Manager Severance Payments - July 2006 to December 2009

As you are aware, the BBC Executive commissioned KPMG to review severance packages for senior managers who left the BBC during the period from July 2006 to December 2009.

I now enclose KPMG's report for the Committee's consideration. We will be publishing this report today.

Total cost of severance payments to senior managers in this period was £23m: this delivered savings of £37m in the period and savings of at least £18m annually.

The objective of KPMG's work was to seek to identify cases where BBC guidelines may have been breached and where procedures could be improved. The work was performed on a sample basis and we draw your attention to the following summary of payments in excess of BBC guidelines or contractual entitlement:

Senior Manager Severance Payments 1 July 2006 to 31 December 2012

	Cases No	Cost £'000	Payments in excess of BBC guidelines or contractual entitlement £'000	%
KPMG sample	71	10,221	1,496	15
Not sampled	105	12,671	431	3
NAO	150	24,700	1,920	7.7
Total	326	47,592	3,837	8

The review related to cases up to seven years old and partly as a result documentation is missing or incomplete in a number of cases. In particular KPMG identified PILON payments of £284k in excess of contractual entitlement on PILON payments of £1,331k, but were unable to ascertain whether or not £1,280k of PILON payments in their sample were in line with contractual entitlement.

At the end of their report KPMG make a number of recommendations in relation to the need to improve policy, guidelines, approval procedures and documentation in relation to severance cases, all of which we endorse and have taken on board alongside new arrangements already introduced by the Director General, including the requirement for Senior Management Remuneration Committee approval for all cases with a cost greater than £75k or in excess of contractual entitlements and the £150,000 cap.

As a result of these recommendations alongside those in the NAO Report, the BBC is announcing today that it will publish a review of all severance deals made each year as part of its Annual Report. Senior Independent Director Dame Fiona Reynolds will be the author of the review which will be published for the next two years and has been introduced to ensure the tighter controls the BBC has introduced are being implemented effectively.

The review will examine whether severance packages are of an appropriate size, are in line with policy and have been properly authorised. It will also establish that the new cap on severance pay at £150k has been implemented effectively and Dame Fiona can also examine any severance packages which she feels merit further investigation and make recommendations on further changes to severance policy.

We are also announcing further new measures as follows:

- A detailed business justification report for each severance deal to be written prior to the authorisation of the agreement.
- The report to record authorisers for each individual payment.
- All reports to be held on file for 10 years with Executive Board members records to be held indefinitely.
- The BBC Senior Manager Remuneration Committee will sign off any payments in excess of standard BBC Redundancy Guidelines.
- The BBC Executive Remuneration Committee will have the authority retrospectively to investigate any severance packages brought to its attention by whistle blowers, the Director-General or other Non Executive Directors.

One particular category of severance payments that KPMG make findings in relation to is in relation to consensual termination cases, of which there were 40 which formed part of KPMG's sample. You will see in particular that KPMG state at page 8 of their report that *"In 4 cases, the individuals entered into compromise agreements and resigned at the time of well publicised operational incidents at the BBC. These individuals received PILON and other termination payments as part of their severance package."*

You will be aware of the BBC's general position, including its DPA concerns in relation to PAC's request dated 16 July 2013 for the names of the 150 cases the NAO looked in their report.

You will recall that after considering your request carefully, we indicated that we needed to balance the data protection and privacy rights of the individuals concerned against the interests of transparency and the public interest in how the BBC spends licence fee payers' money. We also indicated that pending that balancing exercise we were unable to lawfully disclose the requested details to you without consulting the individuals first with the benefit of PAC's explanation as to why it considered disclosure of such information was necessary.

This remains our position in relation to the individuals subject of the KPMG report. However, we do appreciate that in relation to the four cases I refer to above the balance in these cases is likely to be in favour of disclosure to the Public Accounts Committee, subject where possible only to considering any representations the individuals may make in relation to such disclosure.

Accordingly, with this in mind we have already written to the individuals concerned to indicate that should we be asked by the Committee we would be minded to provide this information.

Head of Corporate Affairs
4 September 2013

Written evidence from Marcus Agius

1. I have seen the Submission of Evidence prepared by Mark Thompson and wish to make a short supplementary submission from my perspective as a former Non-Executive Director ('NED') of the BBC and Chairman of the Executive Board Remuneration Committee ('EBRC'). I was also the Senior Independent Director of the Executive Board ('EB'), a role that had heightened significance given that the Chairman of the EB was the Director General i.e. the effective chief executive of the BBC.
2. This submission seeks to address issues raised in the National Audit Office Report 'Severance payments and wider benefits for senior BBC managers' published in July 2013 (the 'NAO Report') and has been endorsed by Val Gooding and Robert Webb, the two other Non-Executive members of the EBRC.
3. I shall seek to give context to the findings of the NAO Report and to explain why the severance payments were made in the way that they were. It is disappointing that the NAO did not seek to explore further into the background circumstances of the various decisions that were made.
4. The EBRD is directly responsible for approving employment terms (including severance and benefits policy) for Executive Directors ('EDs') only (other than those of the Director General). While it is also responsible for ensuring effective remuneration across the BBC, the committee had no direct responsibility for the handling of severance payments for employees below board level. That was an executive matter, subject to delegated authority. Accordingly, I shall deal separately with the arrangements for Mark Byford and Sharon Baylay (both EDs) and those of the other departing senior managers covered in the NAO Report.
5. By way of background, I concur with Mark Thompson's description of the way in which the relationship between the Executive Board and the BBC Trust (the 'Trust') operated, certainly as regards remuneration matters. No substantive decisions in this regard were taken during my time as Chairman of the EBRC without prior, and sometimes extensive, consultation and interaction with the Trust. We were sensitive to, and frequently took account of, the views of the Trust. None more so than as regarding the decisions relating to the severance packages of Mark Byford and Sharon Baylay.
6. More generally, I believe I enjoyed constructive and cordial relations with both Sir Michael Lyons and Lord Patten. For example, I proposed that the Chairman of the BBC Trust and I should hold regular one-to-one meetings in order to air any matters of particular interest or concern with a view to ensuring that a good and collaborative relationship existed between the two boards and to seek to reduce the risk of any substantive misunderstandings occurring. I found these meetings helpful and believe that Sir Michael and Lord Patten did too. Latterly, I was invited to, and attended, part of the regular Trustees Meetings.

CONTEXT

7. The BBC is a large and complex media organisation which enjoys a world-leading reputation for the quality of its programmes and the general output it produces. It enjoys a crucially important relationship with the British public and many other stakeholders abroad. During my time on the EB I was consistently impressed by the focus given to quality of the BBC's output and the objective of increasing Licence Fee Payer satisfaction.

8. Notwithstanding this pursuit of excellence, the EB was also keenly focused on delivering value for money. One manifestation of this can be found in the declared policy of the EBRC which 'is intended to provide remuneration which attracts, motivates and retains the best talent to lead the BBC whilst providing value for the licence fee payer'. This latter explicitly is taken to signify 'a discount of 50-80 per cent of commercial sector comparators' total remuneration'. This strategy, which applied directly to ED's only, delivered an estimated average discount for ED remuneration of approximately 60 per cent against external benchmarks. While this policy was not extended in precisely these terms to senior managers below board level, it was nevertheless the case that the BBC paid its staff at rates which represented a similar discount to rates obtainable outside the corporation.
9. This is entirely appropriate for a public service institution like the BBC but, if staff hiring and retention is not to be problematic, it clearly requires that employees must see other-than-financial benefits from working for the Corporation. Some of these of course, are provided by the opportunity to work in a large and varied media organisation of national importance and delivering best-in-class output. Some are also provided by the BBC acting at all times as a considerate employer, treating its employees with fairness and respect. In this regard, it is fair to say that there was a general expectation at the BBC – rightly or wrongly - that, although staff were paid less that they could command in the commercial sector, they would nonetheless enjoy greater job security. Indeed, many of the departing senior managers were long serving BBC employees.
10. Against this background, the EB found itself facing the prospect of making a material reduction in the number of its directors and, more generally, reducing the numbers of the BBC's senior managers on a scale and at a rate which can only be described as extremely challenging. How was this to be achieved without undermining the expectations of key staff and losing their trust?
11. In managing this process, I believe the members of the EB acted as any directors would have, having regard to the wellbeing of the corporation as a whole and taking into consideration the impact of their decisions on all stakeholders.
12. Mark Thompson has accurately described the choreography leading up to the decisions made by the EBRD on October 11th 2010. While the members of that committee would have wanted to know that any decision they took would not have been challenged or disputed by the Trust, they entered that meeting with an open mind and I clearly remember the vigour of the discussion which was held and the rigour of the challenges which were made..There can be no suggestion that the outcome of that meeting was a foregone conclusion. The NEDs were acutely aware of the potentially contentious nature of the severance arrangements proposed, but ultimately were persuaded that they were appropriate given the supervening factors described by Mark Thompson in his submission. It was important to get on with the reorganisation of the EB for financial and operational reasons while retaining the active cooperation of the EDs affected and minimising the risk of contentious and expensive litigation.

MARK BYFORD AND SHARON BAYLAY

13. Mark Byford had served the BBC for 31 years in a number of increasingly senior roles, including that of Acting Director General following the precipitate resignation of Greg Dyke in 2004. His experience and reputation were exceptional. While it was proposed that he should stand down from his role as Deputy Director General, (a role which he greatly enjoyed and had expected to

continue) some years before his statutory retirement age, it was nonetheless planned that he should, after being told of these proposals, continue for an extended period to assist in planning the BBC Coverage of the Royal Wedding and generally overseeing the handover of his various important responsibilities. Retaining Mark Byford's support and goodwill in this process were essential and I am clear that the EBRC was well within its authority, and acted responsibly, in agreeing a severance package for him above the contractual minimum (but within contractual limits) in order to facilitate the best possible outcome during this transitional period.

14. This required the Directors to exercise their judgement: but that is precisely what they are there for. There would be no point to the EBRC having met if the only outcome could have been to settle on minimum contractual terms. This might have produced the smallest direct financial impact but would have involved other risks which the members of the EBRC felt should not be taken.
15. The issues relating to Sharon Baylay were different, but were contentious only in so far as it was established practice within the BBC not to serve severance notices on employees during their pregnancy. I believe this practice was justified.

SENIOR MANAGERS BELOW BOARD LEVEL

16. The NEDs collectively had wide experience. There was agreement that the proposed reduction in the number of senior managers of 20 per cent. with an associated cost saving of 25 per cent. In a time-frame of only 18 months, while not unprecedented, was very demanding. Even though the NEDs on the EBRC had no direct involvement in the implementation of this cost reduction programme, they discussed, and endorsed it, together with the other members of the EB.
17. The context was well understood. The BBC was facing a real reduction in its prospective licence fee income and was therefore required to engage in an even more substantial cost reduction programme than was already in train. It was put under great pressure from the BBC Trust to deliver these savings. While these were to be achieved against the backdrop of wider public and private sector austerity programmes, there was nevertheless real concern around the EB table as to whether the corporation would be able to withstand a shock of this magnitude.
18. Lucy Adams referred more than once in her testimony before the PAC on July 10th of the need to 'get people out of the door'. While this language may be insensitive, it represented a practical reality. There would have been real danger in retaining substantial numbers of disaffected senior managers as they served out their notices. Particularly if they believed they were being treated in a manner which was harsher than established BBC custom and practice. Regardless of whether that custom and practice was well considered, it existed and would have been known and understood by those being asked to leave. Preferable that they were offered payment in lieu of notice or, in some cases, offered compromise agreements.
19. The situation was exacerbated by the fact that many of the affected managers were long serving BBC employees who would far prefer to have remained with the Corporation.
20. As stated above, the EBRC was not responsible for direct oversight of the execution of the senior management reduction programme. The Committee did not 'sign off' on the senior management severance packages as suggested by the Trust and the PAC meeting on 10th July 2013. It relied on the programme being affected by relevant senior executives under delegated

authority. They also would have relied on the BBC's HR department to have monitored and controlled outcomes.

CONCLUSION

21. I and the other members of the EBRC knew the meeting of October 11th 2011 was important because of the potentially controversial nature of the severance arrangements proposed for Mark Byford and Sharon Baylay. Accordingly, there was vigorous challenge in the debate around the table and we were at pains to ensure that all the right questions were asked and that satisfactory answers were given. Our duty was to exercise our judgement and we were ultimately persuaded that the proposals should be approved given the contractual rights of the two individuals and the other factors described above. In doing so, I believe we acted responsibly, performing our duties as directors and exercising our rights of discretion in order to serve the best interests of the BBC as a whole and those of all its stakeholders.

Marcus Agius
Non-executive Director
BBC Executive Board
4 September 2013

The following documents have been received by the Committee of Public Accounts and can be found on the BBC Trust's website at the link below;

- Letter from Antony Fry, Trustee to Rt Hon Margaret Hodge MP
- Annex A
- Annex B

http://www.bbc.co.uk/bbctrust/news/press_releases/2013/severance_supplementary.html